

6<sup>th</sup> Of December, 2010

## Briefly

My submission is that:

1. government deserves a greater, not a lesser, role in public housing,
2. we need to recognise the economic costs, social costs, and unsustainability of the existing housing situation,
3. for public housing the issue is just as much about a full range of support services as it is about the housing itself,
4. the unaffordability of the median WA house for the median WA household will not improve in any relatively painless manner,
5. any move to transfer public housing to the community housing sector is often occurring for bad reasons, and
6. the most powerful should not be able to exploit their power so as to dump the consequent costs of housing-related problems onto the most vulnerable.

We should be committed to avoiding obvious mistakes. That means being honest about experience elsewhere, both in Australia and overseas. Our housing situation will only get worse, left to itself; anything that is done should be done as effectively as possible.

I would therefore urge the committee to highlight any failures to act on previous reports in this sphere. For instance, to quote DHW's Strategic Directions review group,

"The inadequacies of current support arrangements in Western Australia have previously been reported by the Homelessness Taskforce (2001), the Gordon Inquiry (2002), Equal Opportunity Commission (2004) and most recently, the Ford Report (2007)."

Just to do that would probably be of considerable assistance to better housing policy.

Sadly, even a modest proportion of the resources squandered on increasing dwelling prices would, if diverted to the Budget, have ensured that we had an excellent and comprehensive range of social services (the politically exaggerated costs of ageing included).

A frequent refrain in my submission will be, firstly, that the mainstream economic philosophy is a self-serving and exploitative ideology masquerading as a social science, and secondly, that the perceived role of government has been infected and perverted by the self-serving and exploitative ambitions of a wealthy stratum to minimise assistance to those most in need so that more can be looted by those least in need.

Pillaging public funds to bail out banks is easy, because the wealthiest stratum benefits from and supports that position. Finding a considerable smaller amount of public

funds to support to most deserving is hard, because that same stratum will ferociously oppose public welfare for anyone but themselves.

Incidentally, I discuss these issues with regard to those at the top. It is the decisionmakers, not those lower down, who make the big decisions – and the big mistakes.

All managers do, regrettably, tend to share certain shortcomings - suppressing criticism, protecting one another from scrutiny, increasing their pay, and of course keeping their own job safe. Supporting good management first requires that such tendencies are acknowledged and seriously opposed.

Up until Labor's floggings-off of the 1980s, Australia did have a wide range of highly effective government business enterprises such as the Commonwealth Bank. But they faced as many difficulties from ideological hostility and political and administrative sabotage as they did in just doing their job well.

State Housing Authorities (SHAs) or government business enterprises deserve to have the dominant role in the provision of public housing, because

- ⊗ it is, in the end, always the government that will need to find the money;
- ⊗ a statutory authority is likely to be the most efficient – and most certainly the most accountable.

Specifically as regards social housing, I submit that it is unreasonable to expect the non-profit/NGO sector to compensate for the political refusal to properly fund public housing, for several reasons:

- ⊗ The small size of the community housing sector, even compared to the public housing sector;
- ⊗ Economic irrationalist-dominated government is no more likely to provide the necessary level of funding to the community housing sector than they would be to the State Housing authorities. The aim is presumably to get rid of the commitment to social equality regardless of what may be a disproportionate cost to low-income households.
- ⊗ Community housing/ non-government organisation (CHO/NGO) CEOs will be attracted as much by the increased perks, pay and power implicit in these proposals as by the prospect of any net improvement in service to the public.

Therefore I submit that the Committee should consider coming to several basic conclusions:

- ⊗ That a State Housing Authority or government business enterprise is the best way of delivering the bulk of social housing
- ⊗ That resources be diverted to the CHO/NGO sector only on the basis of demonstrable benefits exceeding those of the SHA keeping the resources;
- ⊗ That more funding for public housing, and appropriate increases in taxation, is in fact both efficient and in the community interest.

Yours sincerely,

*R Raven*

Briefly .....	1
Annex A - Proper Role of Government.....	16
Annex B - Social/Community Housing .....	18
Part A – Social Housing.....	18
Part B – Social (incl. Community) Housing .....	19
Annex C - My Opinion of Neoclassical/Economic Irrationalist Ideology.....	22
Annex D - Improving Effective Affordability.....	24
Annex F – Public comment on the State Budget by MissionAustralia(WA).....	27
Annex G - TICA Tenant Database.....	28
Annex H – Flogging-out Public Housing in the UK .....	31

1. The role of government, and the private and the not-for-profit sector in facilitating affordable housing;

I submit that

- (a) government deserves a substantial role,
- (b) the greed of the profit-seeking sector has caused many of the current problems,
- (c) non-profit organisations have no good reason for suggesting that the public interest is better served by them having a much larger role, and
- (d) any logical analysis of the roles of the public, profit-seeking, and social, sectors requires some discussion of the prevailing economic ideology.

[a] see Annex A for my views on the role of government

There seems no reasonable basis for any claim that “government” has “failed” in service delivery. Assuming that to be so, any claim for an “... important, growing economic, social and political role of social economy organisations” as the replacement seems to be damaging rather than helpful to the public’s interests.

As some recent researchers put it,

"Analysis of public and political debate shows that public housing is usually portrayed as a failure. This image is difficult to shift as lobby groups promoting public housing have had far less impact than powerful commercial interest groups, representing developers and the housing industry.

Furthermore, within government itself there has been a valorisation of the private sector's role in welfare delivery and a view that public expenditure, where possible, should be reined in. The sector now occupies a subsistence position in which merely maintaining poverty is seen as better than making places and homes better. Thus debate has become less about generating choices and options for the community and more about a punitive approach to welfare delivery with the logic that making the sector an unpleasant place to live may force people leave.<sup>1</sup>"

Over the past twenty to thirty years, this kind of approach has been captured in a dominant public discourse: that the expenditure required to maintain welfare, including housing, undermines economic competitiveness while leading to cultures of dependence for those it provides for. It is the mentality of Britain's Poor Laws<sup>2</sup>.

Current practice is of course for housing policy to be carried out via large and ever-increasing subsidies of the profit-seeking sector. For instance, in the context of "retail investment vehicles" as a means of leveraging substantial volumes of private finance into affordable housing, AHURI observed that "substantial government subsidies would be required to deliver the required return to investors and provide affordable rent to tenants."<sup>3</sup>

"Competitive neutrality" is, after all, a mechanism based on the idea that government operations have certain intrinsic advantages and efficiencies, which must be destroyed if the profit-seeking sector is to exploit for its own profit services that the government was able to provide more efficiently.

Obviously given successive budget cuts not only can State Housing Authorities not maintain even 2002 services, but since both State politicians and the profit-seeking sector are certainly not going to publicise those cuts, it is easy to create the perception that since Homeswest must have plenty of money but isn't doing the job it must be inefficient. Such a perception is obviously in the interests both of the profit-seeking sector and the community housing organisations, since it adds credibility to their claims for ever greater direct or hidden subsidies.

It would surely be cheaper and more effective just to fund public housing directly from the budget.

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<sup>1</sup> "Public Housing in Australia: Stigma, Home and Opportunity", Paper No. 01, Housing and Community Research Unit Rowland Atkinson and Keith Jacobs, University of Tasmania, 2008

<sup>2</sup> The body of British legislation dating from 1349 to 1948 that dealt with the "non-working" poor. In Medieval and Tudor times particularly, they applied harsh penalties on vagrants, and forced the able-bodied to work at the bosses' wage, especially while labour was in short supply following the Black Death. (Serfdom was created in Russia for the same purpose, though the cause was the increase in land per worker due to imperial expansion) "Deserving poor" was not a notion allowed in until the Elizabethan Poor Law of 1601 - enacted at a time when poverty was considered necessary because fear of poverty was presumed to make people work.

In contrast, the Corn Laws were import tariffs designed to protect corn prices in the United Kingdom against import competition between 1815 and 1846. The Corn Laws enhanced the profits and political power associated with land ownership, while causing the price of corn to be high at a time of generally low wages.

Despite the aspirations of the reformers, the New Poor Law of 1834 was unable to make the Workhouse as bad as life outside. The primary problem was that in order to make the diet of the Workhouse inmates "less eligible" than what they could expect outside, it would be necessary to "unacceptably" starve the inmates.

<sup>3</sup> "Financing affordable housing: A critical comparative review of the United Kingdom and Australia.", AHURI project 30206,

[b] see Annex B for my understanding of WA's Social Housing situation

Affordable housing is impossible under current policy conditions. As all current policies involve tax (or other) subsidies to the profit-seekers to reduce unaffordability, since the latter simply misappropriate the subsidy, such measures are in fact increasing it. Negative gearing, for instance, harms affordability by encouraging speculation in existing dwellings due to the expectation of capital gains. Continuing such an approach will continue the enormous social costs, not just to individuals, but also in terms of loss of better and wider social services, as well as future productive capacity and the environment.

To quote from the March 2010 issue of Arena:

"In a speech last year RBA Governor Glenn Stevens explained the way that speculation sets the price of housing rather than need. He argued that rents were rising at a rate higher than the CPI because there was strong demand for rental accommodation, and rents as a yield to the supplier had been unusually low. Earlier in the decade, Stevens explained, housing prices were increasing fast and capital gains returns were good, thus rents remained low. As housing price increases slowed, however, so did capital gains, so investors needed to increase returns. They did this by raising rents quickly. (Just prior to this, the Real Estate Institute and the Property Council of Australia conducted a media campaign 'predicting' large rent rises.)"

Housing prices are at seven times median incomes, when the affordable level is about three times. Just as it is now being revealed that the big miners invested as usual all the way through Rudd Labor's super-profit 'tax' controversy, so the abolition of negative gearing between 1985 and 1987 did not itself in fact reduce either supply or investment.

Yet neither housing policy itself nor important associated issues are receiving any sensible attention. Although in 2004 it was clear that without intervention all Perth housing would become unaffordable for the average Perth household within a few years, greed and vested interests ensured that nothing was done.

Housing policy wasn't significant in the recent election campaign – but then, nor was any important national issue. Only the mining industry's baseless and self-serving scare campaign against the mining super-profits tax (its arrogance neatly outlined by the SMH headline "Let Rudd's fate be a lesson on minerals taxing: Rio chief") seemed to have heat. Possibly that is why the Greens doubled their representation and the electorate voted both major parties out of government. Had the Coalition had a less reactionary philosophy and less viciously anti-social baggage from the Howard years, Abbott would probably have won comfortably!

While there are areas of housing shortage, overall the notion that prices are being forced up by undersupply is another furphy intended to boost profit and extract wasteful public subsidy. Australian Bureau of Statistics data shows that from 2001 to 2006, the increase in the number of dwellings far exceeded the population growth and household formation. Worse, the increase in unoccupied dwellings (primarily flats in multi-storey blocks) is almost triple the increase in population growth. Indeed, the unoccupied dwelling ratio in Australia is three times that of the UK. Developers are also holding onto empty blocks to drive prices up.

Politicians benefit not just by enjoying the support of the property industry, but also issuing more frequent and attention-getting press releases - to seem to offer affordability improvements, to demand more punitive law-and-order measures against those victims driven to anti-social behaviour by such circumstances, demanding less scrutiny of "development" projects by local and state government, and calling for further large and wasteful public subsidies for the profit-seeking sector. Granted, the public has been and is also far too willing to close its eyes to the downsides.

One newspaper columnist has written a neat sector-based politico-economic perspective on the causes of today's unaffordability:

"The antecedents to this predicament lie in the deregulation of the banking sector - executed under Paul Keating's watch and at the insistent recommendation of the IMF ... The explosion in credit and the surge in property prices enriched many Australians. Generation Y, however, is lumped with large debts, no assets and the spectre of a long life in the workforce funding, perversely, the pensions and health benefits of the wealthier senior generation via taxes...

The influx of foreign money into the banking system saw bank margins slashed from 3% to 1.5%. We are talking about retail margins here, or what banks make per dollar lent over the costs of that dollar lent. By lowering margins, banks had to lend twice as much to make the same money; more if they wanted to grow market share. The mortgage brokers cut another half a percentage point off to grab their market share. Economics 101 says that when the price falls the demand rises, and the RBA, the Government and IMF knew this before deregulation as they had watched exactly this unfold in Japan in the late 1980's and early 1990's.

When Peter Costello allowed the broadening of securitisation late in 2006 - in which the Government allowed banks and brokers to include friends and family in mortgage documents as guarantors - this further enlarged the capacity for debt in the economy. It was aimed at encouraging the languishing supply side which had seen banks' home lending growth rates drop in 2005 from 15% to today's 7%-8% growth. ...

Allowing greater competition was the cover story of deregulation. The real story was that huge flows of external money flooded Australia, artificially driving growth in our economy.<sup>4</sup>

Real Estate Institute of WA believes the long-term solution to affordable housing to be lower property taxes!

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<sup>4</sup> "In hock to the world", Michael West, 7 October 2008, *The Age*

[c] see Annex B for my understanding of WA's Community Housing situation

Given the small proportion of social housing stock owned by CHOs and others, it would seem completely unrealistic to expect them to usefully increase their size within a useful time.

Given the problems in the housing sector, and self-interest of the politicians, industry and media, the performance of housing NGOs themselves does matter a lot, as regards both advocacy and service delivery:

- ⊗ Too many NGOs appear to prefer submissions and conferences and keeping their jobs safe to activism, even though many will have activist Constitutions.
- ⊗ Rental issues are obviously now a serious (sometimes frightening) issue for many, yet the Tenants Advisory Service generally appears invisible, making no effort whatever to advocate for tenants. What we hear comes from those with a stake in increasing rentals and disempowering tenants.
- ⊗ Only the government can provide the needed quantity of non-private housing. It is damaging to the interests of good housing policy to claim more for community housing NGOs than they can realistically do.

An especially striking example of an NGO combining sycophancy towards the government with blatant self-interest was a post-State-Budget media release from MissionAustralia(WA) (see Annex F). It combined support for the Barnett government approach of spending money on business rather than the social base on which our society rests, with suggested measures that in several cases could financially benefit MissionAustralia(WA).

Or one could study a recent WACOSS emission "Investing in Outcomes", which is striking for its flowery, tortured, waffling, and vague prose that greatly detracts from the key points that the authors appear to be trying to make. There is also a very obvious deference to politicians, based presumably on a desire to stay in their good books – a practice certainly contrary to the independence proper for a representative organisation. While NGOs are not the only underfunded set of agencies, and the claim is entirely legitimate and in itself deserves support, such obvious flaws do reduce the impact of the intended message.

In March 2009, Rudd Labor's then Housing Minister promised to reconfigure the social housing system, shifting \$7 billion earmarked for social housing towards the non-profit sector away from State governments that she considered to be neither efficient nor accountable. While the Territory government does indeed appear to have stolen billions intended for indigenous housing, State Housing Authorities do have much greater scale, more experience and more accountability than community providers. Certainly Homeswest has noted some shortcomings of the latter, as discussed in the relevant Annex.

[d] see Annex C for my views regarding Neoclassical/Economic Irrationalist Ideology

Economic rationalism is an evil ideology.

Obviously the commoditisation of housing involves a good part of the community, both individual homeowners as well as businesses, since the prospect of getting rich quick

through housing investment is an attractive one. But if we assume morality to be objective, a popular wrong does not thus become right. Nor will it benefit the 85% of homeowners who own – or are buying, an important qualification – only their own home.

To loot and pillage the available resources until they are destroyed, then move on somewhere else to continue that happy practice is obviously ultimately going to destroy the economic, social and environmental base on which any particular community relies.

Illegal logging in South-East Asia is a good example, the irreversible nature of its social and environmental destruction being so obvious. It is also a very good and very visible example of light-handed regulation, assisted of course by a close and cooperative relationship between government and business.

An example of the contempt for the public too often shown by the profit-seeking sector are the belligerent and extreme views of Phillip Nounnis, the “boss” of the housing owners’ tenant blacklist (TICA) regarding private rental tenants (see Annex G). That someone in charge of such a database should hold such views is disturbing.

Dun&Bradstreet have noted that “Not paying a small bill or a non-bank related credit obligation can negatively impact a consumer’s ability to access credit for up to five years.”<sup>5</sup>

TICA is a privately-run outfit in which it is much easier for any landlord/agent to blacklist a tenant – even if their entry is mistaken or malicious – than for renters to question its records. The tenant is never automatically informed, though they may find out later through the problems thus created for them. There is little legislation and no regulatory will to prevent the misuse of tenancy databases, such by debt collection agencies or private detectives.

There are problem tenants, there are problem owners. It is of course a topic easily sensationalised. But given the degree of housing stress in the community, and the balance of power in the owner/tenant relationship very much favouring the owner, such an approach can only reinforce public perceptions of a housing industry that has time only for people with money, and is focussed on taking it off them.

## 2. The effectiveness and appropriateness of social housing allocations in the metropolitan area and regional Western Australia;

For reasons discussed previously, more public housing is needed throughout WA.

As with housing generally, there is a push to commodify and flog-off Aboriginal housing. Again, this appears driven by ideology much more than appropriateness.

Given the communal nature of Aboriginal society (and the fact that globalisation and coastification is causing the depopulation of non-Aboriginal populations in the interior), it probably makes good sense to provide housing more through Aboriginal institutions. Note that strong safeguards will be needed, since the obverse of the communalism is nepotism.

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<sup>5</sup> “Bill defaults set to soar: report”, Sydney Morning Herald, Chris Zappone, 6 May 2010



Indigenous people participating in ShelterWA's Port Hedland study stressed two key principles: independence and respect for culture. Suggestions from that group tended to reinforce those two principles. The idea of an Aboriginal Housing Cooperative in Port Hedland was raised in order to encourage home ownership, so as to encourage a sense of pride in developing and maintaining housing. Another theme raised at most forums held for the purpose of that study was the role of carers [who] ... it was felt that ... did not receive enough support or respite."<sup>6</sup>

Australian Housing and Urban Research Institute<sup>7</sup> studies have indicated that the reduction in funding for urban Indigenous community housing organisations has occurred even though Indigenous people need more public housing. A recent review of Indigenous CHOs identified a range of issues relating to remoteness, insufficient scale, lack of capacity, and underresourcing, rather than corruption – a situation not unfamiliar to many urban-based service providers.

In 2007 \$672 million of Commonwealth money was committed to a Strategic Indigenous Housing and Infrastructure Program (SIHIP) to manage a massive Indigenous housing scheme in the Territory. To the end of 2008/09 NOT ONE house was completed. Although 11 houses had been completed and 81 were under construction as at June 2010, the Auditor-General could not find out just where the houses were or what they'd cost<sup>8</sup>. Yet 20 consultants were initially hired to help roll-out the program, later reduced to 10!

However, a later revision of the approach appears to have greatly improved programme performance<sup>9</sup>. It may be a useful model for similar exercises.

Other views appear less tolerant. To quote a recent article in *The Australian*:

"A member of the federal government's indigenous housing commission has written to Kevin Rudd warning that the building of low-cost homes in remote areas creates a disincentive for indigenous people to leave and get jobs elsewhere.

"As to land tenure issues, it might be sensible to select locations where there is the possibility of establishing title independent of community ownership so this idea is given a chance," he says. "We must be careful to ensure nothing we do in indigenous housing further entrenches indigenous poverty.

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<sup>6</sup> Regional Housing Analysis:

"Regional Housing Analysis: Housing in Hedland", Eringa and Doran-Wu, ShelterWA, 2006

<sup>7</sup> AHURI research review 2000-2008, Australian Housing and Urban Research Institute. April 2008

<sup>8</sup> "Report warns of Strategic Indigenous Housing and Infrastructure Program failure", Natasha Robinson and Lex Hall, *The Australian*, 10 June 2010

<sup>9</sup> "Past complex and inconsistent housing arrangements have failed Indigenous Australians in remote Australia. Small scale housing programs have made insufficient inroads into overcrowding, homelessness, routine maintenance and consistent tenancy management, and programs have not provided sustained employment outcomes for Indigenous people. The approach in past years was that small contractors operated in areas without effective building standards and without effective technical oversight. Data from the Fixing Houses for Better Health program reports that around one quarter of fix work undertaken in that program was attributable to faulty works such as incorrect installation or poor construction.

In addition clear lines of responsibility through secured government investment have been missing. This has led to a paucity of systemic property and tenancy management and house maintenance and has contributed to a short asset life of approximately seven to twelve years. ...

The Review has led to the implementation of a new streamlined governance structure designed to reflect the position of the Northern Territory and Australian Governments as jointly responsible, accountable and in direct control of program management and direction. The new framework moves from six management layers to three. The new framework also allows for direct interaction and decision making between program owners and Alliance Partners. The new structure nominates officers who are accountable and responsible for providing consistent advice to Government and rapid response to critical feedback."

<http://www.fahcsia.gov.au/sa/indigenous/pubs/housing/sihip/Pages/p7.aspx>

"By this I mean, as a nation we must as far as it is possible to do so cease to put in place structures which continue to lock indigenous people out of mainstream educational, employment and better health opportunities."

Mr Gilbert says the benefits and deficiencies of low-rental housing and the continuing impact of indigenous poverty "ought to be borne in mind".

"For instance, how does low-cost accommodation act as a disincentive for indigenous people to leave places where employment, education and health opportunities are poor, to places where these opportunities are superior, but where housing is unavailable or too expensive?"<sup>10</sup>

It would seem an unfortunate contribution to housing issues to discourage cheap housing for any reason other than its habitability. To force people to move to places where "housing is unavailable or too expensive" on the gamble that if they are all forced to try and find a place in the mainstream economy then some must succeed would seem a serious failing of morality, policy, and principle.

It would seem probable that movement of a sufficient proportion of the population would also annul native title.

Inevitably such an approach places no value on any social or cultural attachment other than those of the mainstream economy. One would tend to endorse Moran's critique of such an excessive focus on Economic Man<sup>11</sup>, or once again refer to the mentality of the Poor Laws.

Intervention in Northern Territory Aboriginal communities as carried out by the Howard Government and continued under Rudd/Gillard Labor has achieved nothing except their alienation and further criminalisation. Virtually the only "paedophiles" charged have been underage Aboriginal boys having unlawful sexual contact with their Aboriginal girlfriends.

3. The impact of public housing need on specific groups;
4. The key factors influencing the supply of 'sub-market' affordable housing in Western Australia;

Since no commercial operator is going to sell something in the ordinary course of business below the market price, it can immediately be said as a general rule that 'sub-market' housing can only be appropriately inferior or benefiting from a public subsidy of the profit-seeking owner.

<sup>10</sup> "Cheap houses 'a hindrance' to Aborigines", Patricia Karvelas, *The Australian*, October 27, 2008

<sup>11</sup> In strongly criticising the neoliberal economic perspective of Dr Gary Johns ('No Job, No House', Menzies Research Centre, January 2009), Moran (2009) observes:

"Johns' particular economic lens sees employment as the only valid form of productive activity. Yet there is a range of important productive activity engaged in by those who are unemployed. Parenting for many is a full time occupation, with some matriarchs in remote settlements caring for ten children or more. Behind every piece of art that sells for a profit, there is a whole field of other activities including the passing of traditional knowledge, cultural practices, art tuition, and the many paintings that never sell. Volunteering in the many organisations and forums of governance required for the transmission of services and funding is also a major field of productive activity, and an important proving ground for Indigenous leadership in this country. Johns repeatedly derides the 'recreational lifestyle' of Aboriginal people, yet when viewed through a development lens, socio-cultural practices around kinship and mobility build social capital which can be drawn down at time of need ... Similarly, sport is one of the few activities in Australian society where Indigenous people are permitted to meet and beat other Australians on a level field. Johns is correct in identifying employment as a critical means of economic activity, but other informal forms of production must also be taken into consideration."

In such a situation, the key factor is clearly going to be the magnitude of the subsidy.

5. The integration of social housing asset management strategies into the larger urban and regional development process;

Housing should not be a commodity, to be “asset-managed”.

A full range of support services being provided for public housing tenants is as important as what sort of public house is built, or where. Many of the complaints about public housing tenants, particularly in medium or high-density developments, is because the lack of public support services for a group in especial need of them naturally means relatively frequent problems.

As on so many occasions, politicians and the wealthy elite want results on the cheap, and can't understand why others don't feel much inclined to cooperate with such a narrow and greedy attitude.

Every development should have a proportion of social housing (meaning low income earners from the pool of needy, not just relatives of those already living elsewhere in the development). Those in Central Mandurah<sup>12</sup> and the East Perth Redevelopment are prime examples of such omissions.

Developers will of course oppose it – one of the consequences of the unaffordability of housing is the creation of a big margin of intolerance amongst those who believe that they deserve recognition for being able to buy such an expensive asset, causing them want total exclusion of any below-market rental type.

Again, many of these problems refer to the community of interest of our wealthy stratum in minimising assistance to those most in need so that more can be extracted by those least in need.

6. Financing affordable and sustainable social housing;

Through the budget, especially involving a number of tax measures.

Any form of subsidy of rapidly rising rents and house prices (whether rent assistance, homebuyer grant, or tax concessions) will simply encourage rising prices, because the profit-seeking sector will seek to use such subsidies to build its profits.

Two circumstances should be considered in more detail. The first would be a long period of rising prices, meaning greater unaffordability. As that approach is based on an exponential increase in debt, it will ultimately collapse just as it has in the US. The second is a period of either slightly or rapidly declining prices.

See ‘Annex D - Improving Effective Affordability’ for further discussion.

7. Alternative models for the provision of social housing;

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<sup>12</sup> “Mandurah and Pinjarra Housing Analysis”, June 2007, P Pendergast and H Doran-Wu, ShelterWA

Currently, there appears real support for the shedding of public housing responsibilities onto the social/community housing sector. Yet, as with the flogging-out of education funding, the flogging-out of employment services, or the flogging-off of the only Big 4 public bank, I submit that such is done for very wrong reasons, will cause further problems, and may seriously complicate ever introducing good and effective policy.

Annex H sums up my understanding of the British experience. My impression is that such shedding of public housing has not in itself fundamentally improved any of Britain's housing problems. That aside, it does have some useful aspects.

It is only the public in need of housing and the public interest that suffers:

1. Politicians will be able to more easily deny responsibility for resolving problems;
2. The confused and overlapping interests and responsibilities of the various providers will in fact further confuse and delay any resolution of problems;
3. If the transfer of public housing responsibilities is transferred, but accompanied by say a 10% pay rise (much more for CHO/NGO CEOs, of course<sup>13</sup>), then sector workers' wages and conditions will effectively be cut. Wage rates will still be well below Department of Housing pay rates. In effect, the housing NGOs will only get government contracts while they pay lower wages – and the politicians will make sure they know it<sup>14</sup>.
4. such a transfer will be made attractive to NGOs. Even an inadequate pay rise will enthruse housing NGOs, both to want to take over and to ask few questions, least of all regarding tenant's interests.
5. Cutting funding or avoiding funding increases will be easier and less politically sensitive;
6. NGOs that assertively insist that politicians accept the responsibilities of government may be punished by not receiving any floggings-out of tenancy dwelling contracts, as a warning to others;
7. it won't even shorten waiting lists;
8. complaints, such as mine to the Department about the non-performance of TAS, and the more recent non-performance of ShelterWA can more easily be ignored. I call for the closure of TAS with its services, non-managerial staff, and funds (with a substantial addition) being transferred to Citizen's Advice Bureaux.
9. It will certainly complicate, delay, and reduce effective government action when the housing bubble does burst (probably at a time of rising unemployment).

These would seem serious objections worthy of serious regard. I do of course hope that I am mistaken. But should not the Labor/Coalition/NGO advocacy of flogging-out of public housing be based on something more persuasive than hope? If it is yet another wrong approach, less affluent renters and buyers will suffer another long, long period of unnecessarily bad policy.

8. Factors facilitating the movement of people from the social housing sector to the private market and home ownership; and

Affordability.

<sup>13</sup> To quote from "Social Housing United?", a pdf powerPoint presentation by Dr Tony Gilmour (Australasian Housing Institute, 24 March 2010), "UK's highest paid community housing executive [was] paid £391,000 (Anchor Trust). PM Gordon Brown [was] paid half that salary -£197,000 -plus rent-free residence at 10 Downing Street!" [http://www.housinginstitute.org/events/pdfs/AHI\\_Tony%20Gilmour.pdf](http://www.housinginstitute.org/events/pdfs/AHI_Tony%20Gilmour.pdf)

<sup>14</sup> Note that "Social Housing United?", a pdf powerPoint presentation by Dr Tony Gilmour (Australasian Housing Institute, 24 March 2010), suggests that, whatever the public/community wage comparator, "In all 3 countries, comparable jobs (egIT, HR, property development) [were] better paid in the private sector than either community or public housing sector."

An obvious consequence of unaffordability is that the proportion of home-owners is falling. Other factors, such as changes in age and household composition over the period 1981 to 1996 had acted against one another to lower the home ownership rate by just over half a percentage point, so are not a significant influence.

In contrast to the stability of the "gross" home ownership rate, both Census and SIH<sup>15</sup> data indicate that outright home ownership (dwellings owned without a mortgage) is declining<sup>16</sup>. Outright home ownership fell from 42% in 2001 to 35% in 2006<sup>17</sup>.

For low income earners over 45 years of age and medium-high income earners under 45 years, home ownership fell by 15% over the two decades to 2006<sup>18</sup>. Current trends – and the stubborn refusal to face the real issues – mean that very few low-income people over 45 will become home owners, with the government facing the prospect of paying rent allowances for up to 40 years<sup>19</sup>.

Other inferences can be made from available data, for instance that the relatively low incomes of home-owner households suggests that a disproportionate number are retired (which leads to the further inference that they typically purchased their house when house prices were considerably lower, in both relative and absolute dollars).

I repeat a previous point, that public housing should be seen as worthy long-term accommodation in its own right.

#### 9. Particular housing initiatives needed for regions of rapid growth.

Public housing should be provided at a percentage of income (i.e. below market rates) for a number of groups:

- ⊗ workers who by virtue of their occupation will earn significantly less than the prevailing wage;
- ⊗ unemployed moving to a high-wage high-demand area in the hope of obtaining employment (the quality of the surf should not be used against them);
- ⊗ aged and/or long-term disadvantaged.

But again, it requires the spending of money. You will get nowt for nowt.

At least with regard to Karratha, the point has been made that because LandCorp is a monopoly, and because it has an obligation to act commercially, it is plausible to take the view that LandCorp (like the Perth developers with their "land bank") has deliberately slowed the release of housing lots so as to force the price up.

To quote from a Commonwealth Parliament enquiry:

<sup>15</sup> (ABS) Survey of Income and Housing. SIH commenced from 1994–95, and is now conducted biennially (Kryger 2009)

<sup>16</sup> "Home ownership in Australia—data and trends", Tony Kryger, 11 February 2009. Research Paper no. 21 2008–09, Statistics Section, Parliament of Australia Parliamentary Library  
<http://www.aph.gov.au/library/pubs/rp/2008-09/09rp21.htm>

<sup>17</sup> *ibid.*

<sup>18</sup> "Home ownership dream dims, researchers find", Posted on: September 14th, 2009  
<http://blogs.flinders.edu.au/flinders-news/2009/09/14/home-ownership-dream-dims-researchers-find/>

<sup>19</sup> *ibid.*

"Mr Robert Neville, Chairperson of the Pilbara Association of Non-Government Organisations, was asked whether earlier release of land by the state government could have assisted housing affordability in the Pilbara region. His response was blunt:

"...most definitely. It might stick in somebody's ears to hear it, but in my view LandCorp is a cash cow for the state government and they purposefully did not release land in places like South Hedland any earlier because they were waiting for the prices to push up...It is there to make money for the state government. It is not there to service the community, and servicing our communities is what it should all be about. You have to service the community." "

It led to that committee making recommendation 8.28:

"8.28 The committee recommends that the Western Australian government review the Western Australian Land Authority Act 1992 and the governance and goals of LandCorp, in particular the requirement under section 19 that it must 'endeavour to surpass financial targets'."<sup>20</sup>

It is of course common for there to be a tension between public instrumentalities making money and serving non-financial aims. That the latter should be the primary aim does not require it to be the exclusive aim.

#### In Conclusion

I submit that while the Committee is obliged to work within its terms of reference, it is entitled to make passing comment on wider issues relevant to its conclusions, especially where these are plausible outcomes regarding any of the Terms of Reference.

So, let us again draw on Dr Brain as to why the broader context matters:

"... Parliament's role is clear.

It must be seen and be effective in putting in place institutions and policies which will govern the market in such a way that the current and future challenges are controlled, stemmed and defeated.

The consequences of failure to do this are unthinkable in that it will resemble, and perhaps in some ways be more intense than, the political and economic pressure applied to Australia between 1931 and 1942.

More intensive is that a large percentage of the population could have a very poor long term expectation of the future and this time around Australia could be without powerful friends. To effectively combat the three challenges of climate change, external security, and internal stability the requirement is for the adoption and maintenance of a semi war time footing in policy focus and implementation."<sup>21</sup>

We have peak oil, (certainly in WA) peak water, peak debt, peak commodities, peak food, and climate change. It does not seem an environment well suited to "business as usual", or careless or wasteful policy and practice.

Thank you for your attention,

<sup>20</sup> Senate Select Committee on Housing Affordability in Australia, CofA, 16 June 08  
[http://www.aph.gov.au/senate/committee/hsaf\\_ctte/report/c08.htm](http://www.aph.gov.au/senate/committee/hsaf_ctte/report/c08.htm)

<sup>21</sup> "Governing the Market: Threats to Australia's stability and security", Speaker: Dr. Peter Brain. National Institute of Economic and Industry Research, 8 August 2008

Roger Raven

## Annex A - Proper Role of Government

Post-Fraser Commonwealth Governments have pursued an interpretation of the "macro" view that has eschewed both stimulatory macro policy and specific regional policy.

Its low-inflation policy with fiscal restraint is designed to create a macro environment within which economic growth will flourish. Supplementary microeconomic reforms of the labour market and the welfare system aim to provide market incentives to promote individual participation in economic activity.

Rather than introduce regionally-targeted policies, this strategy places faith in market forces to redress the regional problems - through labour mobility away from and firm relocation into areas of low labour utilisation response to falling wages and improved local labour skills. While the national economy has demonstrated relatively robust output growth over the 1990s, it is clear that regional disparities in unemployment persist. The tight macro policy has sustained high unemployment and mobility patterns and relative wage movements have not promoted regional convergence. Disparities in regional incomes and employment are persistent and in many cases increasing.

After 25 years of such economic "reform" involving record transfer of wealth from households to the business sector, middle Australia is running out of coping strategies. Sending two people out into the labour market instead of one, getting more education, delaying fertility, moving in search of a better job, working for longer, and most recently, with no more options, living increasingly on debt.

Researchers from Flinders University noted in Sept '09 that

"The country that promised limitless land, cheap housing and near universal home ownership to all corners now has the most expensive housing in the world amid very tight housing and land markets and little prospect of restoring the balance. ... If rises in national income continue to disappear into higher house prices as they did during the study period, Australia will have to get used to being a country of low home ownership, people living with their parents, and small houses by international standards."<sup>22</sup>

Squandering much of "our" wealth on housing (90% of total household debt is housing-related<sup>23</sup>) has had an enormous opportunity cost, not just of better and wider social services, but also of future productive capacity and the environment.

It is perhaps time to revisit a different view on the role of government business enterprises and statutory authorities, in housing and elsewhere:

"Since some of the colonies were first white-settled as public enterprises, Australia has a long tradition of productive public enterprise. Through the nineteenth century public investment provided the people with urban and rural infrastructure at a remarkable rate: the years from 1860 to 1890 when public investment was highest as a proportion of all investment were the years when Australian income per head was among the highest in the world.

Through the twentieth century the tradition has been continued by Commonwealth and State provisions of education, pure and applied scientific and social research, posts and telecommunications, roads and bridges, ports and harbours, rail and air

<sup>22</sup> "Home ownership dream dims, researchers find", Posted on: September 14th, 2009

<http://blogs.flinders.edu.au/flinders-news/2009/09/14/home-ownership-dream-dims-researchers-find/>

<sup>23</sup> <http://www.stubbornmule.net/2010/03/where-is-debt-headed-now/>



and sea transport, power, primary produce marketing, broadcasting and support of the arts. Many of the public producers supply essential services to private producers, and the sectors have complex interdependence.

Australian economic history offers no support for the "crowding out" hypothesis: private investment has generally varied and prospered with public investment, not inversely to it."<sup>24</sup>

We have a right to have the resources of our society to be used for our benefit. Even now, there is to a limited extent an acceptance of the principle that those who hold resources should not use them in ways that infringe on rights or damage the situation of others. I write "limited", because obviously the situation of a very large number of people could be improved by quite marginal increases in company tax or the top rate of personal income tax, as long as the funds were spent on direct measures to alleviate need and not on yet another bottomless subsidy of the profit-seeking sector.

Take the move from "public" housing to "social" housing for instance. Is it realistic to believe either that such large responsibilities can be successfully transferred, or that such a fragmented and poorly regulated sector could handle them successfully, or indeed that the politicians themselves seriously intend to transfer resources proportional to the extra commitments? Or do the CEOs not care as long as their pay and status increases proportionately? None of those are in fact new questions; they are always relevant to such situations.

In the end, the crucial issue is what government will fund.

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<sup>24</sup> "Two Models of Public Enterprise", Hugh Stretton, University of Adelaide, 1984

## **Annex B - Social/Community Housing**

### **Part A – Social Housing**

Before World War II, housing policy focussed on mainly on home ownership subsidies and regulation and planning controls to ensure minimum building and health standards<sup>25</sup>.

Public (government-operated) housing began to emerge on a small scale in NSW, Victoria and South Australia during the 1930s when State Housing Authorities were established in response to housing shortages, economic hardship related to the great depression and poor housing conditions<sup>26</sup>.

Public housing in Australia generally arose primarily after World War II, as a result of problems experienced by low-income households in the private rental market and a collapse of the owner-occupied sector.

Access to social housing is naturally of pressing concern to many households in unaffordable, insecure or inappropriate housing; to residents, schools, services, facilities and local councils in areas in which social housing is located; to social housing providers; and to governments responsible for developing, financing and regulating the social housing sector.

The traditional means of access to social housing in Australia has been through administrative 'allocations systems', in which access has been predominantly through public housing wait lists in each state and territory (public housing authorities being the dominant providers), supplemented by the disparate allocations systems of a large number of small community housing providers.

In the past, a good proportion of low income households relied on social housing often for a long period. I submit that that was a much more realistic and objectively sensible approach, especially given the unaffordability created through the commoditisation of housing.

However, in the past decade, this stock has been in decline while demand has been increasing (see Figure 33). Indeed, social housing declined from about 400,000 dwellings in 1996 to an estimated 390,000 in 2008. If social housing had maintained its share of total dwelling stock over that period, there would be around 480,000 dwellings in 2008<sup>1</sup>. On a longer-term perspective, "Over the last generation, social housing has decreased from 9% to just over 4% of the housing market in WA, while home ownership levels have increased."<sup>27</sup>

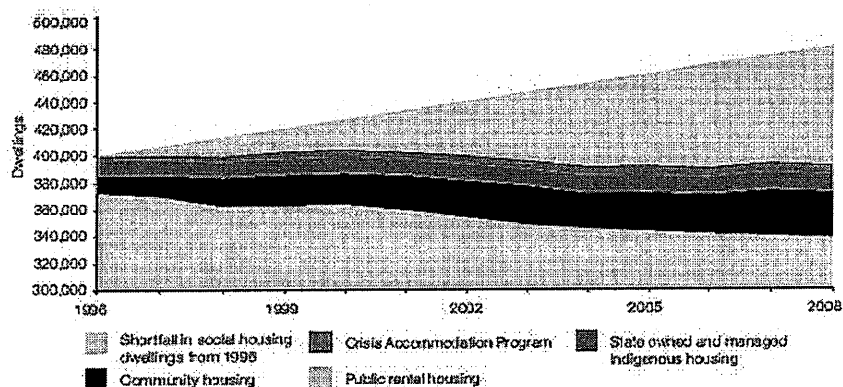
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<sup>25</sup> Housing Strategy WA – Public Rental Housing Issues Paper, TENURE: PUBLIC RENTAL HOUSING, JUNE 2003, Dept of Housing and Works

<sup>26</sup> AHURI Housing Fact Sheet 4

<sup>27</sup> SOCIAL HOUSING TASKFORCE Agenda Paper, 29 January 2009, Background Paper

**Figure 1 : Social Housing Dwellings Total, 1996-2008**



This is due to public housing jurisdictions' deteriorating recurrent financial outcomes, reduced capital allocations by the national and state and territory governments and governments' preference for new social housing to be operated by the not-for-profit sector. State Housing Authorities have been deliberately starved of funding – CSHA allocations were cut by 24% in the 9 years to 2007/08.

The 1996 Commonwealth State Housing Agreement gave priority to targeting public housing to those most in need. There has been a significant decline in the number of new households able to access social housing each year, contributing to in persistently high wait lists and long wait times in some areas. Consequently, a growing number of tenants are on low incomes, have complex needs or are entering public housing at a time of significant crisis in their lives.

## Part B – Social (incl. Community) Housing

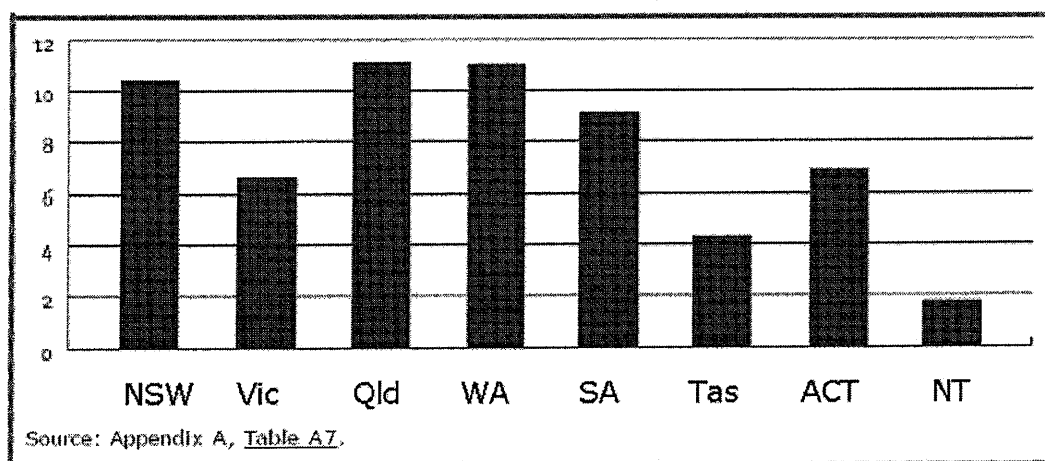
In WA social housing comprises housing provided by government, (public rental housing, above), by regional housing associations and by CHOs, including State-Owned and Managed Indigenous Housing (SOMIH), and dwellings funded under the Crisis Accommodation Program (CAP).

As at 30th June 2007, WA had 4,651 community housing properties. Community Housing Coalition of WA (CHCWA) is the peak WA body, with 112 member organisations.

According to the Department of Housing,

“Community Housing includes rental accommodation managed by non-profit community organizations, housing associations and local governments. It provides tenants with an alternative to renting in public or private rental markets. Community housing offers tenants security of tenure, links to local community supports and an opportunity to participate in the design, location and management of their accommodation”.

**Figure 2 : Community Housing Stock as a Proportion of Social Housing Stock**



(National Housing Supply Council 2008)

Community housing is seen by the Housing Authority as having real potential to supply new finance and stock for those in housing stress, so the latter is now seeking to deliver more affordable housing through the community housing model (Housing Authority, 2008).

Leveraging (mortgaging existing housing to buy more) is often cited as a good reason to flog-out to the Community Housing Association (CHA) sector. In 2006-07, for instance, direct funding provided the \$16.9 million, while contributions (i.e. leveraging) added \$2.6 million. Yet it was precisely that practice that created the Great Recession, nor does there seem a worthwhile gain on those maths.

Councils sometimes seek to providing service worker housing (e.g. nurses, council staff and others), social housing and affordable housing as well. In many cases, the councils achieve this through joint ventures with community housing providers and developers. In most cases, those councils provide the land and the community housing provider, with financial backing, provides the capital and ongoing management.

In May 2007, the State Government announced a \$417.3 million four-year plan for more affordable public, community and indigenous housing.

Of that, \$10.7m is for the Community Housing (CHP), Crisis Accommodation (CAP) Community Disability (CDHP) and Joint Venture (JV) Housing Programs for the 2007/08 financial year. This program was intended to

“... provide the community housing sector with an opportunity to grow substantially, and to perform a vastly more significant and strategic role in the delivery and management of housing within an integrated social housing system”.

So in the community housing field, the State government now has the following programmes:

- ⊗ Community Housing Program
- ⊗ Joint Venture Housing Program
- ⊗ Community Disability Housing Program
- ⊗ Crisis Accommodation Program
- ⊗ SCHIP Program.

SCHIP was introduced to “support sector capacity building and encourage greater integration of community housing within the social housing system”. SCHIP funding of \$210 million is in addition to the Commonwealth State Housing Agreement social housing funding of \$139m.

Note that it is hardly a vote of confidence in NGO performance that the Department of Housing has forced amalgamations, and improvements in management and accountability standards through a Community Housing Strategic Plan 2003-2008. The Department has also developed a three-tiered registration system that requires community housing providers to meet specified business, governance, management and service delivery standards, plus a regulation and compliance unit.

## **Annex C - My Opinion of Neoclassical/Economic Irrationalist Ideology**

While there is a general assumption that consistently positive and continuing economic growth is the proper order of things, such growth, being exponential, is in fact never indefinitely sustainable in the real world. While the time for which a particular growth rate can continue will depend on such things as the base from which it started, the rate of growth, and independent variables such as socio-political developments, technological change, resource consumption, and the discovery of new sources of resources, sooner or later insufficient resources will be available for growth to continue.

Dramatic collapse can then be expected from the rapidly increasing gap between the established demand of the economy and the rapidly depleting resource base. Examples of such collapses include the Easter Island community, the Maya of Central America, the Anasazi of North America, Norse Greenland, Angkor Wat, and Minoan Crete<sup>28</sup>.

It follows that there needs to be recognition that the use of the whole of society's resources (household and profit-seeking sector as well as government) is a legitimate subject of debate and regulation. Public action to halt the substantial misuse of resources is equally proper.

In contrast, a small but wealthy and powerful group effectively controls "our" parliamentary democracy. They use that control to advance their own group interests, primarily more power and more money. Their greed is based only partly on a belief in infinite economic growth; when the collapse occurs, they will try to save themselves by taking from the weaker sections of society and leaving the latter to starve – an approach sometimes described as social Darwinism.

Denigration of "low" income-earners over the past twenty to thirty years has been and is intended to discourage any effort to allow them a less unfair share of economic booty. Thus large expenditures on social welfare, including housing, is deemed to undermine economic competitiveness while leading to cultures of dependence for those it provides for.

In contrast, a recent study by the Australia Institute<sup>29</sup> suggests that some \$20 billion per annum of the big four banks underlying profits of around \$35 billion before tax appears to reflect the banks' exploitation of their monopoly over the Australian payments system. In 2009, the big four's profit after tax was 1.12% of GDP.

Cultures of dependency are reserved for the negative-gearers, or the investor-houseowners, and the enormous tax subsidies they have come to see as a right.

Britain's Poor Laws always had as their basis the belief that (relative) poverty was necessary to make the lazy swine work<sup>30</sup>. There is the allied view that the poor are poor because they deserve to be poor, while the rich are rich because they are especially worthy. Such beliefs remain popular, at least with the wealthy. Prescriptive and

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<sup>28</sup> "Collapse: How Societies Choose to Fail or Survive", J. Diamond, Penguin Books, 2005

<sup>29</sup> A licence to print money: bank profits in Australia, Policy Brief No. 10, March 2010, David Richardson  
[https://www.tai.org.au/file.php?file=/media\\_releases/PB%2010%20A%20licence%20to%20print%20money.pdf](https://www.tai.org.au/file.php?file=/media_releases/PB%2010%20A%20licence%20to%20print%20money.pdf)

<sup>30</sup> Brazilian bishop Dom Hélder Câmara: "When I feed the poor they call me a saint. When I ask why the poor are poor they call me a communist."

discriminatory industrial legislation, the systematic cutting of wage levels by flogging-out, and the effectiveness of interest groups representing the wealthy, shows that such views are still a powerful influence.

Obviously flogging-off and flogging-out former government operations, or ever increasing subsidies to the profit-seeking sector when trying to use it to relieve social problems (often caused by the profit-seeking sector itself), is financially highly beneficial to the profit-seeking sector. Non-existent or "light-handed" regulation further assists.

Dr Peter Brain summed up the nature and some consequences of that mentality quite well in his 2001 Alfred Deakin Lecture. Since nothing has changed, I'll quote him:

"A hundred years on, Deakin's economic objective of strong state regulatory control over strategic industry operations and his vision of the state supplying strong leadership and resources to drive national development, are almost the exact opposite of the prevailing Australian political wisdom.

The prevailing conventional wisdom as defined by the doctrine of extreme economic rationalism is that the market, that is the private sector, knows best, both in terms of maximising the efficiency of short term resource use and in terms of the mobilisation and allocation of resources to drive economic development.

The role of the state under extreme economic rationalism is largely passive, confined to the protection of state borders and property rights. Under this doctrine the active role of the state focuses on measures to remove any constraints on businesses' and households' ability to pursue whatever objectives they select. Since the private sector knows best, this policy objective by definition will maximise national economic and community welfare. ...

Implicitly, economic rationalism endorses the primacy of established private interests over future private interests as well as over current and future collective community interest."<sup>31</sup>

We've seen with tertiary education, for instance, the unsustainability of the flogging-out (privatisation/outsourcing) of funding from government to overseas students. Although this process began in 1997, allowing the Howard Government to cut tertiary funding by 30%, only in recent years has it become obvious that these indirect subsidies require the prostitution of Australian citizenship, that tertiary institution's services deteriorated anyway, and that it contributes nothing to making use of the qualifications of immigrants.

Or employment services; far from flogging-out having delivered any useful outcomes, it appears to have greatly reduced funding, focus on, and interest in, effective employment services. Back in 2006, according to a report by the Brotherhood of St Laurence, only 10% of the nation's most disadvantaged jobseekers were receiving the help they need. In 2008, there were strong complaints about grossly insufficient funding. A 2008 study found "that the Job Network, despite claims, largely fails to deliver in the manner suggested by the theoretical accounts."<sup>32</sup>

As you will be aware, the ideological basis for the flogging-out of employment services is the public choice / agency / quasi-market model. The same model is being used to justify the flogging-out of housing to community housing NGOs.

<sup>31</sup> Transcript of Broadcast on Wednesday 16/05/01 by the ABC, "The Australian Federation 2001: Political Structures and Economic Policy", Peter Brain, Melbourne Town Hall, Tuesday, May 15, 2001, 6pm

<sup>32</sup> "Revisiting the Quasi-Market in Employment Services: Australia's Job Network", C. McDonald and G. Marston, Asia-Pacific Journal of Public Administration, v30 n2 101-117, <http://sunzi.lib.hku.hk/hkjo/view/51/5000860.pdf>

## Annex D - Improving Effective Affordability

Firstly, **process**. This is in two parts.

First, rebuilding excellent, apolitical **public service**.

It is a gross omission for a serious focus on the quality and ethos of the body of people through whom policy will be implemented to be so completely ignored in this Committee's Terms of Reference, and so generally ignored in discussions relating to housing and other social issues. Just ensuring that Ministers and senior managers were forced to effectively and efficiently coordinate their approaches to public housing tenants would undoubtedly do a good deal to improve the situation.

What was before 1984 known as the Public Service was more efficient than now, certainly with much greater expertise, in no small degree because there was a wide range of government business enterprises that provided a wide range of people with a wide range of useful technical skills.

Burke in WA and Hawke in Canberra both successfully worked to destroy the then excellent, apolitical public service, with bipartisan support. It now comprises an assortment of contractors, contract staff, and other staff, often with institutionalised conflict between workers and management.

Today every senior bureaucrat hails whole-of-government policy development and program delivery, co-operative and collegiate approaches, and frank and fearless advice. But the evidence is much more that they see their role as helping the politicians of the day conceal their mistakes. Furthermore that they much prefer trying to second-guess the Minister than to try to promote consistent, informed and effective policy. Whistleblowers, being dissidents, are therefore punished with particular viciousness.

As we are seeing with the oil spill in the US, or the Varanus Island gas plant explosion in the North-West, or the Montara oil spill in the Timor Sea, a public service sector that would once have insisted on prescriptive standards now rubber-stamps almost anything their industry does – the relevant businesses will lean on the politicians, and the politicians will lean on them if they don't, and ensure the removal of anyone with principles. Politicians also require many regulatory agencies to be run as cheaply as possible, meaning that a lot of necessary but not blindingly essential things can't be done. As usual, doing a cheap and nasty job has a price – one rarely borne by the politician in charge, only by the public and the public interest.

Secondly, taking serious action to provide coordinated and effective **support** for low-income people in unaffordable housing (which these days is by definition pretty well everyone in that group), especially public housing. Report after report has emphasised the need for comprehensive and integrated services. That requires coordination and discipline by Ministers as well as subordinates, yet there is little incentive for them to practice it.

Again, **stinginess won't work**, though the damaging social consequences do allow politicians to benefit through their law-and-order auctions at election time. It can't be done on the cheap.

Several **fundamental** changes in philosophy need to occur:



1. Recognition that pricking the housing bubble will be unpopular, but the costs of not doing so will be greater and longer-lasting. Had action been taken years ago, it would not be necessary to contemplate such painful action now.
2. public housing should be of a quality and quantity to be a serious and realistic option for most people, as was the case decades ago;
3. like excessive air travel, an ever-bigger house on an ever-smaller block (the McMansion) is financially ruinous and socially undesirable
4. ordinary housing consumers themselves should recognise that they have actively contributed much to the current disaster through their disinterest in good design and their willingness to be seduced by clever marketing.
5. Rental is now unavoidably permanent for many households, due to the housing unaffordability government and the profit-seeking sector have successfully promoted. Having returned to a state which last prevailed early this century, we should match that reality by returning to making public rental an attractive option.
6. In contrast to the IPA debt-scare-based flog-off campaign of the '90s, State public debt is expected to rise from \$3.6 billion in June 2008, to over \$20 billion by 2014, mainly as infrastructure subsidies to business. A couple of billion redistributed for housing would achieve every bit as much.
7. remedy the shambolic state of government services to public housing developments.
8. support the abolition of negative gearing, the capital gains tax concession, and the first home-owner's grant, with the savings to go in full to public housing authorities to buy/build public housing.

Finally, there is the issue of **when** to act.

If **now**, it will obviously occur in an environment of unaffordable housing, but full employment and costly money.

In such a situation the obvious approach is to increase taxation on luxury items and speculative earnings to fund greater public housing investment. Further, vacant dwellings effectively empty for more than a three month period should be taxed at 25% of the median rental value applicable to the area and dwelling type. Indeed, such a tax may have rendered NRAS superfluous in many areas.

Any form of subsidy of rapidly rising rents and dwelling prices (whether rent assistance, homebuyer grant) will simply encourage rising prices, because the profit-seeking sector will seek to use such subsidies to build its profits.

As we would seem to have reached Peak Debt (where the growth in housing borrowing slows due to the inevitable limits on house "owners" capacity to repay), so too will the growth in house prices be restrained. Our wealthy elite will no doubt press their mates in our political "leadership" for ever larger subsidies, or incentives for foreign investment in residential housing, so as to keep prices rising. By definition such moves would make a dwelling even more unaffordable for a large and increasing proportion of locals.

If later, **when house prices are collapsing** (which will happen here), it should much simpler. Something like a stimulus package plus legislation should be used in to allow the government (i.e. SHC) to acquire the commitments of:

- ⊗ Renters; rental commitment on a rent defaulter's dwelling with the defaulting occupants to become tenants on terms applicable to SHC tenants. The amount subsidised would become a debt repayable to the government on terms similar to the HECS, but without interest.

- ⊕ Buyers: for houses costing up to 1.5 times the peak median value applicable to the area and dwelling type up to a maximum of a million dollars in value, the government could acquire the maintenance and mortgage capital commitment (as per capital component of Fig 17) but without paying interest, again with the defaulting occupants becoming tenants on terms applicable to SHC tenants.
  - Once the median dwelling price applicable to the area and dwelling type fell below 60% of the peak median value, it could be compulsorily acquired at current valuation less 20%, to become part of permanent public housing stock.
  - An alternative for those who want to battle on could be for the government to compulsorily acquire the mortgage, to allow deferral of any part of the interest component that takes their total housing repayments above 25% of their disposable income.
- ⊕ Vacant dwellings effectively empty for more than three months should be taxed at 25% of the median rental value applicable to the area and dwelling type.

## Annex F – Public comment on the State Budget by MissionAustralia(WA)

### Shopping list of demands will not help solve welfare problems

In the wake of the announcement this week of a State Budget surplus of \$831 million, the calls from the welfare sector for greater spending on social programs and housing and Premier Colin Barnett's response that this is no time for largesse are predictable.

While there's no doubt serious disadvantage exists among some Australians, a shopping list of demands will not help solve problems. Having the Government and the community revert to their entrenched positions of "paymaster and supplicant" serves no one — least of all the disadvantaged.

Long-term and sustainable funding for social and community services relies on strong fiscal management.

The Premier has signalled that the State is still spending more

than is coming in. At this stage, uncoordinated and untargeted spending on social programs that sees the Government pushed beyond its means will undermine the very individuals and communities who require our help.

Good government is about striking the right balance between community and financial investment. With this in mind, the welfare sector would be better placed to engage with government to achieve a small number of targeted priorities that can be met sustainably, such as:

- Increasing the WA Government's \$2 million Innovation Fund. By putting more resources into the fund we can offer support to successful small community projects that are addressing disadvantage.
- Increasing the WA Government's Small-Interest

Loans Fund — at \$10 million — aimed at enabling community service organisations to build their capacity, be more effective and help more people in need.

- Strategies to help make the community services sector more sustainable which will in turn allow them to forge a better working partnership with government so that all interactions aren't overshadowed by inevitable questions about resources.

By addressing the many imbalances in the relationship between government and the welfare sector, we set ourselves up for much more effective help to people in need

Ross Kyrwood is the WA director of Mission Australia<sup>33</sup>

<sup>33</sup> "Shopping list of demands will not help solve welfare problems", *The West Australian*, 30 Sept '10

# Tenant crackdown call

Ashlee Mullany

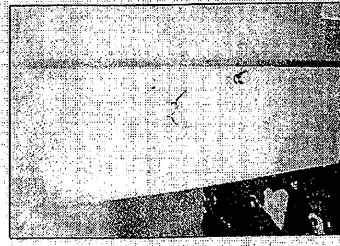
**HORROR** tenants who trash properties and dodge paying the rent should face criminal charges, says the company that compiles an Australia-wide database of black-listed tenants.

It comes as some of WA's worst tenants have been exposed - one who removed an entire bathroom from a Midland house and another who filled toilet bowls with cement.

A third horror tenant got rid of the stairs from a Nedlands property so the owner couldn't gain access, and a group of Belmont tenants drained and graffitied a swimming pool, converting it to a skateboard park.

TICA, Australia's biggest tenant database, is calling for harsher penalties for notorious tenants after a spike in defaults in Perth in the past year.

Nationally more than 40,000 people were black-listed for defaulting on rent or damaging a property in the year to September; 4756 were from WA.



## RIPPED OFF: Damage by tenants is costing landlords dearly.

TICA boss Phillip Nounnis said landlords needed greater power to protect themselves from rogue tenants.

"The average debt is around \$1500, so that's more than \$60 million missing out of landlords' pockets this year," Mr Nounnis said.

"What we need is for the Government to say, 'Hang on a minute, stealing a man's rent is exactly the

same as stealing his wallet'. Rent should not be classified just as a commercial risk, it is theft (when not paid) and I think rent evasion should be a criminal offence."

About 85% of WA estate agents are registered with the TICA database, which keeps records of about three million tenants.

Mr Nounnis said some tenants

attempted to "beat the system" by changing their names by deed poll. But the database recognises offenders by matching driver's licence numbers.

In one case, he said a WA man changed his name four times and also claimed to be a woman.

"Once we alerted the agency, they discovered the man, named Leslie, was actually wearing women's clothes and a wig just to beat the system," Mr Nounnis said.

Landlords have the option to take out insurance when leasing a property, but Mr Nounnis said there needed to be greater penalties for rent offenders.

"A tenant can stay in a property for three, four, five months without paying rent while a matter is going before a court or tribunal and the landlord can't do anything - he's powerless," he said.

Landlord insurance specialist Terri Scheer Insurance said the most common complaints included holes being punched in walls and doors, carpets ripped up, graffiti and stolen fittings.

## SUBURBAN HORROR STORIES

### MIDLAND

- Tenant removed entire bathroom and the carpet.
- Tenant filled toilet bowls with cement.

### SCARBOROUGH

- Tenant glued doors and locks shut.

### NEDLANDS

- Tenant removed steps to property so owner could not gain access.

### BELMONT

- Tenant emptied swimming pool to create skateboard ramp filled with graffiti.
- Tenant stole all the appliances and ceiling fans.

### PERTH

- Tenant smashed every window, oven door and shower screens.
- Tenant removed section of roof tiles. Landlord found out when it rained.

### MURLEY

- Tenant knocked holes in all walls and stole appliances.

### ARMADALE

- Tenant cut all the wiring in roof cavity.
- Tenant knocked down a wall to create a bigger bedroom with an ensuite.

*Source: TICA*



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Year	Publication	Title
2010	Perth Now	How bad tenant leave landlords in debt
2010	Adelaide Times	How bad tenant leave landlords in debt
2010	Courier Mail	Delinquent tenants put state's landlords in red
2010	The Australian	How bad tenant leave landlords in debt
2010	The Daily Telegraph	How bad tenant leave landlords in debt
2010	Herald Sun	How bad tenant leave landlords in debt
2010	The Sunday Times Perth	Tenant crackdown call
2010	Herald Sun	Rothog renters run riot
2010	Canberra Times	Tenant Database 'invades privacy'
2010	The Sydney Morning Herald	Tenant Database 'invades privacy'
2010	MX Juice	Stalking tenants
2010	ABC News	Database alerts landlord when tenants consider moving
2010	Brisbane Times	Tenant Database 'invades privacy'
2010	The Gold Coast Advocate	Rent crisis leaves family homeless
2009	INC News	A Roof Over Your Head... Not So Easy Anymore!
2004	Sydney Morning Herald	Crackdown on agents who blacklist renters

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I reproduce below a list of the hoops – and the costs – through which a tenant must jump in order to check the accuracy of such information as is held that TICA must release:

#### BEGINS

##### *Access TICA by mail inquiries:*

You can request access via mail by writing to TICA at P O Box 120 Concord NSW 2137. You must provide your full name date of birth driver's license number passport number (except Australian) and current address. You are required to provide a stamped self addressed envelope if no envelope is supplied no information will be returned. Once TICA has received your request, your request will be actioned a request for payment of AU\$14.30 will be forwarded to you requiring payment and an additional stamped self addressed envelope will be required. When payment of the AU\$14.30 together with a stamped self addressed envelope is received by TICA the results of your request will be forwarded to you.

Please allow up to five working days to process your request and then a further 8 working days to forward the results to you once payment together with a stamped self addressed envelope is received by TICA.

Note: Payment of \$14.30 is payable by Bank Cheque or Money Order only. TICA does not accept personal or company cheques!

*Access TICA by Phone:*

In the event you require immediate information you can contact TICA on the Tenant Help line on 190 222 0346. Calls are charged at \$5.45 per minute including GST (higher from mobile or pay phones)

*Access TICA Via Fax:*

Individuals now can access the TICA databases via faxed authority with credit card payment to enquire if their personal details have been listed on any of the TICA databases. Please note that any enquiries made by fax with a credit card payment must include the cardholders name as one of the searches.

Cost per search is \$22.00 per person inclusive of GST. Please note there is a no refund policy should you not supply the correct details. Please ensure to read the terms and TICA Privacy Statement before submitting your request.

ENDS

[http://www.tica.com.au/itenant\\_TICA.php](http://www.tica.com.au/itenant_TICA.php) at 5 Dec '10

## Annex H – Flogging-out Public Housing in the UK

In the UK, transfers of public housing have been occurring for thirty years - since Thatcher's time - to occupiers, NGOs (CHOs, Housing Associations (HAs))<sup>34</sup>, and other buyers. However, such transfers were greatly expanded since 1997, being actively promoted by Government as crucial instrument of 'modernisation':

- ⊗ Channeling investment to remedy neglect;
- ⊗ Reforming organisational governance to 'empower tenants and disadvantaged communities';
- ⊗ Stimulating beneficial culture change<sup>(2nd below)</sup>.

It does appear that the housing CHO has generally had to purchase the dwellings, although some transfers are effectively a gift<sup>(2nd below)</sup>.

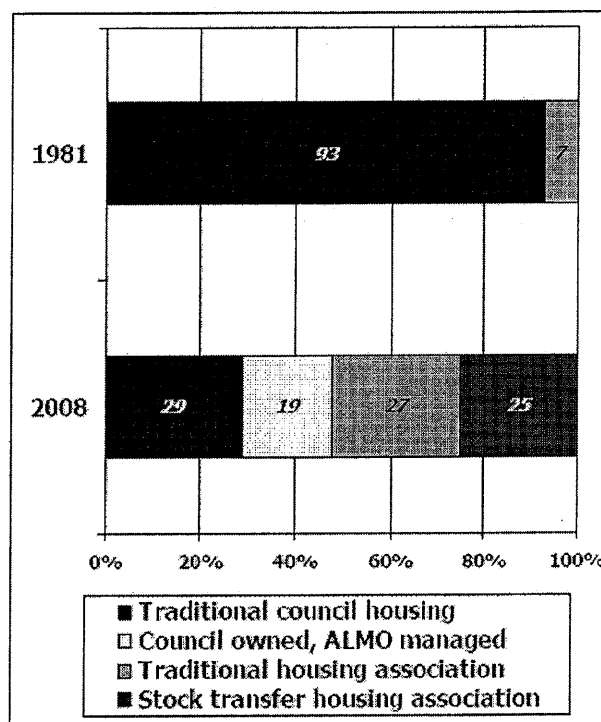
Private finance has until very recently been very substantial - cumulative private investment in social housing exceeded £34 billion by 2003.

Although annual investment in this sector had declined, it was still over £2 billion in 2003<sup>35</sup>.

A number of additional reasons are advanced for this subsidy of the community housing sector:

- ⊗ Public housing outperformed by community providers on tenant satisfaction, due at least in part to the decentralisation of management;
- ⊗ From British perspective SHAs are strikingly 'unreformed';
- ⊗ British evidence that stock transfer can re-invigorate public housing – both financially and culturally<sup>(1st below)</sup>.

UK social housing has fallen from a third to a fifth<sup>(1st below)</sup> of total housing, similarly to the situation here – so the transfers cannot be said to have been a success as far as protecting the significance of affordable housing (assuming "public" and "affordable" to be synonymous) is concerned. As it would seem unlikely that priority would be given to subsidies of such diversions, it may be that such diversions were used to help confuse any appreciation of the impact of such reductions in public housing funding.



<sup>34</sup> "Successes, Failures and Prospects for Public Housing Policy in the UK", Richard Best in *Housing Policy Debate* v7 i3 [http://www.knowledgeplex.org/programs/hpd/pdf/hpd\\_0703\\_best.pdf](http://www.knowledgeplex.org/programs/hpd/pdf/hpd_0703_best.pdf)

<sup>35</sup> "Financing affordable housing: A critical comparative review of the United Kingdom and Australia.", AHURI project 30206,

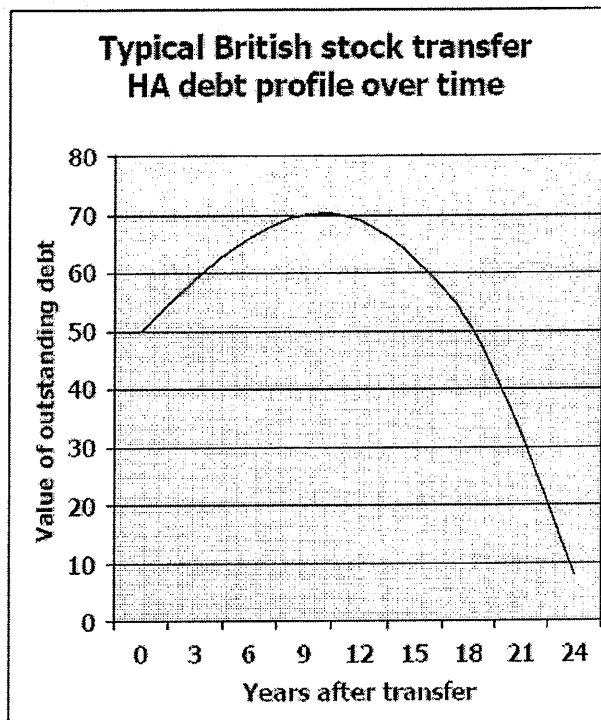
However, it seems that an important driver for British stock transfers is the capacity of CHOs to use the capital base thus acquired to leverage private financing of overdue repairs and modernisation. Although done for very different reasons, that is the approach of the Macquarie model<sup>36</sup>, now discredited by the global financial crisis.

Typically, the pathway is along the following lines:

- Acquiring CHO typically takes on substantial debt to purchase stock.
- Debt rises initially as stock overhaul loans drawn down.
- Eventual scope for full debt repayment (assuming sound business plan).
- In the meantime, transfer HA relatively exposed to risk as 'highly indebted body'.
- No transfer HA defaults in Britain but a very few 'rescued' by larger more robust assocs.<sup>37</sup>

It has been suggested that there are at least Five Myths of UK Stock Transfer<sup>38</sup>:

- "Public housing was given to community housing groups. *Wrong! It was sold where there was a positive value, paid back from loans*
- Existing community housing groups built capacity through transfer. *Mainly wrong! Most stock went to newly established organisations*
- Stock transfer to community housing groups was how UK public housing was renewed. *Partly wrong! There were many other options –ALMO, PFI, Community Gateways, council control retained*



<sup>36</sup> "The model was an ingenious response to a core problem with financing greenfields infrastructure – the time it takes between investing the capital to fund a toll road and the point at which cash flows build to a level that enables it to generate attractive returns to investors.

By returning capital in the build and ramp-up phases and then refinancing against revaluations – in effect bringing forward future cash flows – the model has enabled listed infrastructure entities to offer solid yields.

In the pre-crisis environment the model worked. Indeed, with debt cheap and plentiful, the funds were able to leverage aggressively and turbo-charge yields. The external management structures provided increased incentives for the managers to pursue debt-funded growth and push the envelope on what was sustainable.

Post-crisis, of course, the model has been discredited by the focus on excessive leverage and falling valuations. "

"Last rites for Macquarie model", Business Spectator (online), Stephen Bartholomeusz, Published 1:24 PM, 23 Jun 2009  
<http://www.businessspectator.com.au/bs.nsf/Article/Last-rites-for-Macquarie-model-pd20090623-TA5NP?OpenDocument&src=kqb>

<sup>37</sup> "Transforming Australia's Social Housing Sector: Pointers from the British Stock Transfer Experience", PowerPoint presentation, Hal Pawson [http://www.nhc.edu.au/downloads/2009/presentations/NHC09\\_W16\\_Pawson.pdf](http://www.nhc.edu.au/downloads/2009/presentations/NHC09_W16_Pawson.pdf)

<sup>38</sup> "Social Housing United?", a pdf PowerPoint presentation by Dr Tony Gilmour (Australasian Housing Institute, 24 March 2010),



•LSVT raised vast sums for the Government. *Partly wrong! Only true in areas where stock was in good repair, generally not in big cities*

•LSVT is all about stock transfer. *Partly wrong! Capacity was built through transferring staff, managers, head offices, procedures*

•Tenants had no say. *Wrong! They voted on the transfer, form 1/3 board directors and had to be 'engaged'"*

While it would be nice to think that Australia's relatively 'young' community housing sector – and indeed our political sector – would seek to apply any such model in Australia with careful regard to the situation and experiences of both countries, the attractions on the political side of getting rid of government's social responsibilities, and on the NGO/CHA side of greater power, status, and income (especially for CEOs), all appear to be driving an absolute desire for such a model, whatever the merits.

That said, there are good results from the UK experience of floggings-out:

- ⊗ Possible case to be made for modernising social housing service delivery via SHA restructuring;
- ⊗ Public housing far outperformed by community providers on tenant satisfaction;
- ⊗ From British perspective SHAs strikingly 'unreformed';
- ⊗ British evidence that stock transfer can re-invigorate public housing – both financially and culturally.

Rather than write a volume on the recent issues, let us look at one of the most senior figures in the housing NGO sector in the UK for a summary of the situation now.

In response to the Spending Review 2010, Campbell Robb<sup>39</sup> of (UK) Shelter issued a statement saying:

"A succession of governments has failed to address our housing crisis and today's announcements suggest the coalition has firmly joined them in denying responsibility for an entire generation's ability to access decent, secure, affordable housing. The proposed figure of up to 150,000 affordable homes over four years represent less than a third of what this country urgently requires to bring the housing system from its knees, notwithstanding the half a million 'lost' homes referenced by the Chancellor himself."

With unemployment set to rise and incomes tightening, Shelter welcomes the homelessness and supporting people grants and provision for those facing repossession being left fairly intact. However, these measures address those in urgent, dire need, and not the millions of people who already face a continual struggle to find and keep a decent, affordable home.

The combined worry of cuts to housing benefit and the slashing of the affordable house building subsidy, coupled with the absence of a long term strategy, will be devastating for the housing aspirations of thousands of young people consigned to increasing costs and bringing up their future families in an insecure private rented sector. The Chancellor acknowledged this generational shift in housing aspiration for under-35s in his speech.

'Despite the range of housing policies announced today we have heard nothing on some of the most fundamental issues, such as tackling this country's exorbitant house prices or improving our ever growing private rented sector.'<sup>40</sup>

<sup>39</sup> Went to (UK) Shelter in October 2009 after being the first director general of the Office of the Third Sector in the Cabinet Office, being appointed to that position in 2008 from being director of public policy at the National Council for Voluntary Organisations.

<sup>40</sup> Shelter (UK) press release, 20 Oct '10, [http://england.shelter.org.uk/news/october\\_2010/housing\\_dealt\\_huge\\_blow](http://england.shelter.org.uk/news/october_2010/housing_dealt_huge_blow)

Ben Derbyshire, managing director at UK housing design consultancy HTA, said cuts of the predicted scale would mean 'a significant number of housing associations will stop developing altogether'<sup>41</sup>.

For us, the key point of Campbell Robb's comments would appear to be that whatever has been done in the UK over the last three decades has not been fundamental, transforming change; to put it another way, the UK approach is as vulnerable to changes in political or economic circumstances as any Australian model. So we may take it that the "transfer" approach is an option, not a guarantee. It has however cost the public sector half a million dwellings, some sold, most transferred<sup>42</sup>.

In the end, the crucial issue remains what government will fund.

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<sup>41</sup> "Spending review: Social housing cuts are a 'dereliction of responsibility'", 20 October, 2010, Merlin Fulcher, Architect's Journal (online) <http://www.architectsjournal.co.uk/news/daily-news/spending-review-social-housing-cuts-are-a-dereliction-of-responsibility/8607148.article>

<sup>42</sup> "Spending Review: Social Housing", 25 Oct 2010, FullFact.org website, <http://fullfact.org/articles/?sel=articlelist&id=189>