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Mr Albert Jacob MLA
Acting Chair
Community Development and Justice Standing Committee
Parliament House
PERTH WA 6000



Dear Mr Jacob

INQUIRY INTO THE ADEQUACY AND FUTURE DIRECTIONS OF SOCIAL HOUSING IN WESTERN AUSTRALIA

Thank you for the opportunity to comment on the Terms of Reference for the Inquiry into the Adequacy and Future Directions of Social Housing in WA. BHP Billiton Iron Ore strongly supports the WA Government seeking a greater understanding of this complex issue through the Inquiry and we would encourage specific attention is paid to indigenous housing as part of the Inquiry. Our response relates to our areas of operation in the Pilbara, although it is recognised that affordable housing has emerged as an increasingly important issue in all areas of the community.

BHP Billiton Iron Ore is of the view that the current affordable housing crisis in Pilbara towns will remain a reality until local housing and land markets can be sufficiently normalised. Housing affordability can be linked to two key factors; the timely availability of appropriate land for development, and the need for sufficient quantity and diversity of developers in the region. Therefore, in order to address the issue of affordable housing in the medium to long term, strategies which aim to quickly release land in sufficient quantities, as well as strategies to attract developers into the region must be driven hard and in parallel. In the short term however, until a more normalised market can be achieved, we believe that there is a clear need for government intervention to facilitate affordable housing solutions (please see attachment for some observations in relation to the Terms of Reference and some suggestions for short term government intervention).

As Pilbara towns have continued to grow over a number of years, the profile and quantity of services (government, private, social and community) required to sustain a residential population has needed to increase. In Port Hedland and Newman and for some time, BHP Billiton Iron Ore has needed to facilitate entry for these services across all sectors, and is still having to provide financial assistance, sponsorship, loaned residential housing and commercial space for a range of services. BHP Billiton Iron Ore believes that the true cost of providing services (including housing) in the Pilbara, must be recognised by respective funding bodies especially in the Non Government Organisation and Not-For-Profit sector. We are pleased to note that the WA Government's Department of Housing

appears to have recently realised its role and the need for it to lead implementation of strategies to address the housing constraints in these sectors. However there is considerable work to be undertaken in bringing these strategies into reality..

In the general community, with particular reference to the majority of the indigenous community, housing affordability remains a critically important issue that can only be addressed through comprehensive short, medium and long term measures that provide interim intervention while aiming to normalise the local land/housing markets.

Should the Inquiry seek to discuss this submission further, please contact Carl Binning, Vice President Health, Safety, Environment and Community, on 08 6224 4330.

Yours sincerely

A handwritten signature in black ink, appearing to read 'IAshby', written in a cursive style.

Ian Ashby
President, Iron Ore

ATTACHMENT: Suggestions for Government Intervention in provision of Affordable Housing

Specifically, in relation to the terms of reference, the following points are made:

- A single body / group / agency should be given accountability for maintaining active and ongoing oversight of affordable housing policy and initiatives to ensure that needs are being met and that funding, time and effort can be appropriately directed. It would appear that the Government's Department of Housing has recently considered itself the appropriate agency in this regard; however, well-formulated policy development and project execution will need to occur.
- The necessity of 'joining up' social policy, physical infrastructure development and the complex range of other factors pertinent to creating sustainable affordable housing solutions can not be overstated. Government is best positioned to coordinate government, not-for-profit and private players via both policy and investment.
- There is a need for a comprehensive understanding of the scope, nature and extent of the affordable housing problem along with a requirement for short, medium and long term strategies to address the issues. There have been numerous studies undertaken to understand the issues and to explore and suggest alternative models of affordable housing provision. Two examples are the Department of Industry and Resources, *Feasibility Study for Affordable Rental Property in the Town of Port Hedland*, March 2008; and the WA Government Department of Housing, *Social Housing Taskforce Report*.
- It is BHP Billiton Iron Ore's understanding that:
 - o The WA Government Department of Housing reports that the Priority Assistance waitlist is 18-24 months while they are only now housing tenants who applied in 2005/6 in Hedland and 2008/9 in Newman.
 - o There is an eligibility cut off for state/public housing of ~\$32,000 for singles and ~\$68,000 for families (or ~25% of income earned). Once levels of income pass this cut-off, people are expected to accommodate themselves. Anecdotally, reports have been made that most tenants will therefore either fabricate their income level or will not take up employment for fear of losing their housing. This therefore becomes an incentive not to work as the disparity between social housing eligibility and the income required to be self sufficient in housing is far too great.
 - o The impact of this is that many people occupy public/social housing when not eligible, thereby creating a critical shortage and long waitlist. Therefore, if there was an affordable housing option in Pilbara towns for the next income tier/s, many of the public houses may again be freed up for allocation to those in genuine need.
- For several years the Pilbara has enjoyed a 2 year moratorium on public housing tenants having to immediately vacate once their income levels exceeded the cut off, however there are no affordable housing alternatives available between the current public housing pool and

an overheated private market where rents are as much as \$1000-2500/week. Government may like to consider removing altogether the requirement to vacate government housing but instead charge increased rent as people obtain jobs and/or earn increased income, and then reinvest the funds back into more housing. At the very least, the eligibility parameters should be cognisant of variability between towns and provide a framework within which this variability can be recognised and practically applied. In the Pilbara, with a cut-off for social/public housing eligibility at the \$32,000 (single)/\$68,000 (family) annual income level, rents at current levels, and no other affordable options other than the private market, the state wide application of a uniform policy is inappropriate.

- There was previously the opportunity for public housing eligible tenants to purchase the houses that they lived in; however, the scheme was either withdrawn due to housing stock availability or tenants could not afford to pay given current prices. This would seem to be a scheme worth reinstating for the 'affordable housing' client group, however a not-for-profit approach to land/housing development should be applied, low interest loans may need to be offered, and a long term caveat could be applied that gives government first right of refusal to buy back property at an indexed (not market) cost.
- Reportedly, the percentage of public/state housing in Port Hedland has been as high as 35% in the past, is currently 22-23% and the target is to get this down to ~11%. One of the purported mechanisms to achieve this has been the South Hedland New Living Program which has been refurbishing former public housing and selling this on the open market through ballot with recent homes being sold for \$500-\$600,000. Even at \$500,000 the total mortgage, repayments would be ~\$750/week or (based on 30% of income to service a loan), and would therefore require an income of ~\$130,000/year to service the loan. The outcome in this instance will therefore not meet the needs of either the public housing client group or the next income tier that requires access to affordable housing. In the short term it is difficult to see how any measures to reduce current levels of social housing in Pilbara towns, in isolation from an accompanying comprehensive medium/long term solution to address housing affordability within the next income tier from \$32,000 to \$100,000, is going to benefit the community. Therefore housing levels available to low to middle income earners should be significantly increased in the short term while establishing strategies and models for the long term.
- Schemes such as the Australian Government's National Rental Affordability Scheme (NRAS) initiative are useful in markets where building costs are low and rental returns are reasonable. In the Pilbara, the NRAS cash incentive from the Australian Government of ~\$9,000/year for 5 years to offer housing for rent at the specified 80% of market value, does not provide sufficient economic incentive to private developers. 'Affordable' rent (ie; at a maximum of 30% of total gross income) for those earning \$32,000 - \$100,000 is \$185/week - \$575/week. Consideration should be given to providing more meaningful incentives in line with the NRAS scheme's intent, to stimulate private provider entry into places like the Pilbara.
- In Karratha, the WA Government has provided land and significant funds (~\$30million) to National Lifestyle Villages to build and manage a 100 unit housing development for use as affordable housing for a 10 year period. This would not have occurred if purely driven by

private developers as the level of risk is too high and the returns are too low. Similar initiatives should ideally be driven by government in other Pilbara locations.

- The DOIR Feasibility Study recommended that a Not-for-profit housing association model be adopted in Port Hedland. This represents a sustainable model to achieve affordable housing for the 'middle income tier' in Pilbara towns. The model has the capacity to develop partnerships with private enterprise as well as being able to accommodate a shared equity arrangement with tenants. Given the current market forces, a not-for-profit solution must initially be comprehensively supported through provision of no/low-cost land and funding to become established. In such initiatives the government may prefer to retain ownership of the land and lease long term to the not-for-profit housing association.
- Government may like to consider giving select service based NGOs/Not-for-profit groups immediate access to the Government Regional Officers Housing (GROH) scheme until a longer term solution is found.
- Initial stimulus and initial and/or ongoing incentives to ensure the not-for-profit and/or private sector is involved in providing affordable housing should be considered. The stimulus and incentives must be in the form of land (at significantly reduced cost), and/or financial incentives such as capital contributions or ongoing incentives to off-set the costs of providing housing at non-market rental rates. In dysfunctional housing markets such as the Pilbara, it is hard to envision that affordable housing will be delivered through normalised market forces. In reality a combination of different models involving government (state and federal), not-for-profit housing providers and private developers or investors would be beneficial.
- It may be appropriate for government to continue to directly provide housing for those people that are on benefits or unemployed as well as supporting people to make the transition from welfare into work.

End