

TRANSCRIPT

LEGISLATIVE COUNCIL LEGAL AND SOCIAL ISSUES COMMITTEE

Inquiry into the Rental and Housing Affordability Crisis in Victoria

Melbourne – Tuesday 19 September 2023

MEMBERS

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David Ettershank

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Wendy Lovell

Sarah Mansfield

WITNESSES

Reece Agland, Policy and Advocacy Manager, Australian Institute of Architects;

Rob McGauran, Director, MGS Architects; and

Michaela Lihou, Chief Executive Officer, and

Diana Dajcman, Policy Adviser, Master Builders Association of Victoria.

The CHAIR: Welcome to the sixth and final session for today's hearing. Welcome to our new panel. Joining us we have four different panellists; I will ask for names shortly. We have got the Master Builders Association of Victoria. We have also got MGS Architects and the Australian Institute of Architects joining us for this last panel.

Before we continue, I just want to introduce the witnesses to my committee members: Deputy Chair Mr Ryan Batchelor; to my right we have got Dr Renee Heath and Dr Sarah Mansfield; Dr Matthew Bach and Mr Joe McCracken; and my name is Trung Luu. Welcome.

To the panel: all evidence taken is protected by parliamentary privilege as provided by the *Constitution Act 1975* and further subject to the provisions of the Legislative Council standing orders. Therefore the information you provide during this hearing is protected by law. You are protected against any action for what you say during this hearing, but if you go elsewhere and repeat the same things, those comments may not be protected by this privilege. Any deliberately false evidence or misleading of the committee may be considered a contempt of Parliament.

All evidence is being recorded. You will be provided with a proof version of the transcript following the hearing. Transcripts will ultimately be made public and posted on the committee's website.

For the Hansard record, can you please state your full name and any organisation you are appearing on behalf of, and then we will go straight on to the questions. If you can please state your full name, we will proceed.

Diana DAJCMAN: Diana Dajcman, Policy Adviser at Master Builders Victoria.

Michaela LIHOU: Michaela Lihou, CEO of Master Builders Victoria.

Rob McGAURAN: Robert McGauran. I wear a few hats, so I am on the board of Lord Mayor's Charitable Foundation, Australia's largest community foundation; I have been on two community housing association boards and am now on a third; and I am a Director of MGS; and on the advisory committee for Homes Melbourne as well.

The CHAIR: Welcome.

Reece AGLAND: Reece Agland, Policy and Advocacy Manager at the Australian Institute of Architects.

The CHAIR: Thank you. Welcome all today. Thank you very much for turning up. I will invite the committee members to please keep to a maximum of 4 minutes so we can get to everybody's questions on time. Deputy Chair – please, Mr Ryan Batchelor.

Ryan BATCHELOR: Thanks, Chair, and thanks everyone for coming. I thought I might start with the architects, because we have had a lot of evidence today from people who view property as a commodity and an investment. I thought I might get some perspectives on properties as homes that people live in and evidence you might like to give us about the importance of home quality in terms of build and amenity in terms of environmental standards and environmental efficiency – why they are important things for the committee to consider, particularly in the context of a rapidly changing environment. People in Sydney only need to look at the temperature – it was in the mid 30s today – to know that our climate is changing pretty rapidly. Why does this committee need to think about those issues as well as the commodification issues?

Rob McGAURAN: It is a really important question. We do have a third of our population renting. We have worldwide two-thirds living in cities; in Australia that is higher. And in Melbourne we are going to see

Melbourne's population go from 5 million to 8 million, so we are building 60 per cent more city in the next 25 years. We have seen some very good work from the City of Melbourne and just today from RMIT's groups about the nexus between productivity improvements, where people live and work and the impact on their lives and on their health, on their availability to do the important work that the city needs them to do and for people to live affordably.

Your starting point needs to be affordable living. Then the issue of home quality is critical. We saw what happened for people who did not have that during COVID. In some of the old towers and some of the hotels poor ventilation et cetera led to actual, manifestly clear, lower health outcomes for those people. We know where some of our suburb's people are having to commute up to 3 hours to work and back that the outcomes for their children – educational outcomes – and outcomes for family stress, depression and health in terms of diet et cetera all go down the toilet in those circumstances. The question of housing in the right locations to drive better lives is step number one in that decision-making framework for this committee.

The second step then has to be how you make that housing resilient in the long term. Five years ago I was arguing about borrowed-light apartments. Can you imagine being locked up in a borrowed-light apartment during COVID? So we have learned a lot about the importance of designing homes, as you say. At the moment I would say – and we would say – that we do not have a market framework that is really supporting alignment between, necessarily, the people producing the housing and the people for whom the housing is being provided.

Ryan BATCHELOR: How do we get that? This committee has got to make recommendations. How do we get that alignment?

Rob McGAURAN: I am very excited about the propositions that come through partnerships with the long-term investment community – the superannuation funds et cetera. There is alignment there. They want those homes rented in very high occupancy numbers. They want them to be flexible in the long term so that they are that. They want them to be energy efficient, because they need the asset to be of value in 30 years time, and we can see that that is playing out in other jurisdictions around the world. I am encouraged by the level of interest that is now coming through in the sector. I am sure MBA would be saying the same things to that degree. I would say similarly the not-for-profits have the same objectives. We have mentioned in the paper the interest of the churches in making lazy land available. And local government – we have done a lot of work with Port Phillip and the City of Melbourne over time in that space on using airspace above car parks, older buildings et cetera for that purpose. It is the same thing. There is an alignment between the values of a community or a trustee of community assets and making sure that it is purposeful and valuable.

We then need to think of the next step of how we make that manifest. If we are going to have mums and dads also supporting rental accommodation, how do we ensure that they are incentivised in the same way and the builders who are delivering are incentivised in the same way to know that making homes and not delivering a program or units is really what we are about here?

Ryan BATCHELOR: I do not have time to get into a conversation about how important 7 stars are, so I will leave it there.

The CHAIR: Dr Mansfield.

Sarah MANSFIELD: Thank you. I might start with Mr Agland and Mr McGauran. In your submission you talk about the importance of government-funded housing, that that has really fallen out of favour and that subsidies and other things have come in but they are not really helping with the affordability issue.

Rob McGAURAN: Yes.

Sarah MANSFIELD: A couple of the ideas you put out there are about perhaps revisiting a levy to fund a government program that actually directly builds the housing. Can you elaborate on that?

Rob McGAURAN: Yes. There were previous propositions for a levy that were put forward and ultimately fell over a couple of years ago, but they really were just a simple additional tax on the industry without a quid pro quo commitment. The proposition that we see as important is that there are commitments from the state and Canberra that match that of the industry, and it has got to be bipartisan in the long term. We had that, interestingly, until Fraser nationally, and then that stopped. And if you had just projected what we were doing

across multiple different governments up until then and kept it going, we would not be here today. But there is no doubt that the state needs 6000 units per annum for those lower income groups, and they are not the groups that Greystar is going to be able to help or most of the build-to-rent sectors are going to be able to help without the government putting their hand in their pocket. It does not mean they have to take all the money out – and we have raised propositions for that – because partners are there wanting to be part of the solution, and we think there is also a series of policy ambitions in terms of uplift that can be part of the solution. But there is no question that government has to have skin in the game.

Reece AGLAND: But by government's skin in the game – tax is one of those, but it is not the only method. I mean, government is about prioritising where and how it spends money. It spends a lot of money in a range of areas, so it may not just be an issue of 'Okay, we need a new tax' or 'We need to increase tax' being the sole solution to government. Government may just have to reprioritise some of its spending – to decide 'Well, out of all these grand projects that we have, maybe some need to be prioritised over others and we need to shift some of that funding across as well.' So we should not see tax as the only solution, nor should we be scared of the word 'tax'.

Rob McGAURAN: No, and instead of tax, delivery of units should be seen as an equivalent, so that if you are actually prepared to provide the affordable housing with the right definitions, that is a 'deemed to comply'. So we would say get rid of windfall tax if there is a clear deemed-to-comply provision, which might be, say, 20 per cent affordable housing and rezoning, so that it gives certainty to the development sector that 'If we do this, we can keep moving' rather than the argy-bargy forever about what that might look like.

Sarah MANSFIELD: Just to go back to the government being a direct, say, builder and provider of housing, there has been a sort of shift to the idea of social housing and partnerships and community housing providers delivering that housing. Do you think there is an advantage to the government being one of those providers of housing?

Rob McGAURAN: Look, my view would be that government always has to retain expertise in sectors that are critical, as Infrastructure Victoria would say, to our future. But I think that we can be very confident that the community housing sector is now a very robust and significant one. Some of those organisations would be in our top 300 companies, if they were listed, around Australia. I think we should acknowledge and continue to build that capacity, but the state retains a role for specialist housing for a range of uses of its own assets. For example, it might want to use the airspace above its commuter car parks at railway stations, and it might want the provision that it is going to take over that space again in 50 years time for another purpose. There will be times where it is the logical provider of the stock, but not always. They should use the private sector too to deliver this stuff. They are good at it.

Reece AGLAND: Yes. One of my aunts grew up in the Flemington flats – not the big ones, the smaller ones. That government-provided security of housing allowed her not just to bring up her children but to get them education and get them out of the system. So I think we need to see our government housing not just as a permanent solution for everyone but as a stepping stone also to get people out of that housing situation. Give them that ability to know how much they are going to pay, know that they can undertake study, they can work – they can do all these sorts of things. I think it is important to understand that government can sometimes be the only one that can do that. Sometimes they are the ones with the money or with the leverage and the capacity to compulsorily acquire land and various other mechanisms at their hands. Government needs to start thinking again about how they can do some of this themselves.

Rob McGAURAN: Two prime ministers, one current and one former – we benefited from, or you could argue we benefited from, the provision of affordable housing.

The CHAIR: Thank you. Dr Bach.

Matthew BACH: Did Albo grow up in public housing? I have never heard that! Firstly, I have just got to acknowledge that it is very depressing and embarrassing for us to host people of your ilk, with your experience, in the ugliest building in Melbourne, so apologies for that. I have been really interested in the discussion we have been having about social and affordable housing, and I would love to bring you in as well. I want to acknowledge and be fair to the government; it is not as if nothing has happened in that space in the last few years. We have had 469 social housing dwellings added over five years, so it is not nothing, it is almost

nothing. I think you all said, and I am sure we in the committee would all agree, that we want to see more social housing and more affordable housing. I think you, Reece – sorry, it might have been you, Rob – noted that we need 6000 units per annum. I scribbled that as you were talking about it.

Rob McGAURAN: Correct.

Matthew BACH: So if we are using an umbrella term of social and affordable housing – and I note the context of your discussions with Dr Mansfield before – that is what we should be aiming for?

Rob McGAURAN: Exactly.

Matthew BACH: Okay. At Master Builders, what do you think about that sort of broad number? Would you be in agreement with that?

Michaela LIHOU: I was going to say there is probably different data. I do not have anything off the top of my head. I do not know whether you have had some stats on the exact number from a rental perspective.

Diana DAJCMAN: Not specifically on social and affordable housing, but more broadly housing.

Michaela LIHOU: In general.

Diana DAJCMAN: Yes.

Matthew BACH: And what do you think then?

Diana DAJCMAN: Sorry. I can provide that to you maybe after this. I do not have it right in front of me, but I can provide a report on that.

Matthew BACH: No, no – fine. Thank you. I was also interested in one element of the earlier discussion about looking to increase the supply of housing where people want to live. I live in Surrey Hills, and I sort of look around and think it is a fabulous place, people would like to live there, every house is on an enormous block and there is a bunch of nimbys – as a local resident it is really hard to get anything done. We had a discussion with previous panellists about some of the things we could seek to do to reasonably allow ourselves to increase supply in areas where people want to live, where there is fabulous infrastructure already. What are some things – again, I come to you – that you think that we could do through planning, especially with local government, to seek to do better in that space?

Michaela LIHOU: I think investment and innovation is critical – looking at things like modular building and offsite construction so this then becomes around affordable ways to build and doing things differently. But once again, you need investment to try and do that to boost those stocks. I think also it is about increasing the skills of the industry so that that can be delivered. If you are looking at greater infill, for argument's sake, then we need to make sure that we have a really good pool of builders who are able to actually deliver on that apartment-style building. Further to that, I would also say that it is also around making sure that there is confidence from a consumer perspective. We need to make sure that people are comfortable to live in those infill areas in that type of residential environment as opposed to the stock standard 'I expect to have a piece of land with a backyard et cetera', so there is changing the confidence and the mentality of consumers as well there.

Matthew BACH: All right. Thank you very much.

Rob McGAURAN: We would agree on the need for us to think about making buildings other than with bricks and sticks. We really need to move beyond that in the 21st century if we are going to build affordably. But the challenge that we have got is no reliability of supply chain at the other end of who is going to order a thousand units that can provide the basis for that industry to really develop its capacity et cetera. That is a really critical part of that challenge as well that we feel is really important for the country.

Michaela LIHOU: And fast-tracking planning processes would be the other key one.

Reece AGLAND: Yes. That is what I was going to say. Two things: densification requirements on councils. Currently all the councils say the lovely things about needing to densify, but there is nothing forcing them to do

it or pushing them to do it, and they get a lot of pushback from their local people, which is understandable, so you need to find a way to change that dynamic. Densification is definitely one of them. But fast-tracked approvals, where the designs are approved by a design review panel or where they meet certain requirements in relation to things like standards of air, light, energy efficiency and all of those of things – where they are able to show that and get that done quickly, then it goes through a quicker process that focuses on the planners. The planners do know what they are doing, so we do not think planners are the problem. It is sort of the political at the end that is often the issue. Solving that and allowing the planners to have those powers to make decisions is important. They would be the things that we would recommend.

Rob McGAURAN: Yes. I have done a lot of work on structure plans for capital cities et cetera, and I think if you talk to communities about what, where and why, most communities are pretty good at that macro level. It is when it is next door that it is often the problem. But we have done a lot of good work in *Plan Melbourne* and previous documents across many governments about what, where and why; we just do not have the planning tools necessarily that are providing certainty around those things, and we are not allowing evidence to provide the basis for a lot of the decision-making.

It is not always one side or the other that is squeaky clean in this. There is a need to set reasonable expectations and then provide the resources to get the decisions made quickly. We have done that before with nation-building – a lot of homes built very quickly with good quality, mainly privately, with local government planners providing inputs to a central government delivery agency making the planning decisions, so there was local knowledge informing things that was expert knowledge, not political views.

Matthew BACH: Thank you all very much. That is great. I am done, Chair. Thank you. I think my time expired ages ago.

The CHAIR: Aiv.

Aiv PUGLIELLI: Hi, everyone. Thank you for coming here. You might have caught the end of the previous session, but it has come up a few times during the inquiry process, this idea of affordability and definition of ‘affordable’. Even in the previous session earlier we had a suggestion that there perhaps needs to be a more collective agreement on what ‘affordable’ is across all parts of the sector. I might go along the panel for this one, starting with you, Reece. What would you define as an affordable home?

Reece AGLAND: Out there there are a number of different ideas about how ‘affordable’ is. From the industry perspective, I think the most accurate is in relation to income and something that is under 30 per cent of your disposable income. Anything above that you have to start making sacrifices elsewhere to pay for your rent. You can set pricepoints, but that is very hard and it is constantly changing, so I think income – below 30 per cent is probably around where we would think.

Aiv PUGLIELLI: Okay. And Rob?

Rob McGAURAN: Look, I think it is very important that there is nuance in this. The City of Melbourne has just done a fantastic piece of work where they have looked at the driving areas of industry for this city, the key workers that are servicing those that have to be present to do their job, not the ones that can sit at their computer at home but that have to be present – the hospitality workers, the events people, the educators, the orderlies in the hospitals and the nurses et cetera. It then focused the attention in that on secure rental to make lives – going back to your point – and homes forever, if you want to, in that. I think we have got to nuance Reece’s point and say, ‘It’s not just 30 per cent of income earners as a block.’ Parts of our city – Fishermans Bend, the central city – will be different to Wyndham or Box Hill in terms of those needs, or Boroondara for that matter. Each of those areas should have a plan, it should be evidence based and it should have targets and mechanisms to deliver on those targets that are fair dinkum.

Aiv PUGLIELLI: Thank you. And from the perspective of the Master Builders Association?

Michaela LIHOU: Look, I think the 30 per cent of income, if you want to put a marker. But I think it is important to know that it is complex. It changes depending upon a whole lot of other factors that would potentially be impacting – be it around interest rates, be it around job loss, illness. Depending upon someone’s personal circumstances, affordability is going to be totally different for them as opposed to somebody who is in a steady job depending upon what their requirements are.

Aiv PUGLIELLI: Thank you.

Diana DAJCMAN: I think, just to add to that as well, having the financial capacity to maintain the quality of dwellings is something that often does not really get talked about. I think in our submission we talk about age and how a lot of the existing housing stock are quite old. I think something like just over half are at least 30 years old, so retrofitting is going to be a big part of addressing affordability as well, if we want to lean into that.

Aiv PUGLIELLI: Thank you. It is a really good segue, the idea of retrofitting. We have touched on impacts of climate and the really hot summer that we are about to face across this country. In the opinion of the panel, do you think that our current housing stock in Victoria is prepared for the incoming effects of climate change?

Reece AGLAND: No.

Rob McGAURAN: No.

Michaela LIHOU: No.

Aiv PUGLIELLI: And I might go along again: what do you think we would need to change in terms of commitment from the state government to address that?

Reece AGLAND: One of the things that we as the institute have been frustrated with is – there is the National Construction Code, NCC2022, which sets guidelines in relation to energy efficiency, accessibility and a range of other things. There has been a lot of pushback from certain sectors, trying to push back for a variety of reasons on those standards. We oppose that simply because houses need to be built not just for today, they need to be built for 20 years, 40 years, 50 years. If we start short-changing now, pushing off adapting that housing, it is going to be more housing that is going to need retrofitting in the future. It is much more expensive after the fact. People are going to have trouble selling those houses. They are going to be more expensive to heat and cool. So we would rather, when things like the NCC2022 get done, that government then does not get easily swayed against those standards.

Aiv PUGLIELLI: Thank you.

Rob McGAURAN: Look, I could use one case study. The Lord Mayor's Charitable Foundation, with the Brotherhood of St Laurence, supported a research project looking at vulnerable households in Melbourne's west because, as you probably know, it gets 6 degrees hotter in the summer in Melbourne's west than the rest of Melbourne. The evidence found that people were getting sicker and costing the state more than if we fixed up their houses, which was simple stuff: about \$50,000 a house it actually cost to make those houses more energy efficient – to have a water tank so that the tree could grow in the front yard and provide shade. It was really simple stuff, but the evidence was so profoundly positive that the state came through in the same year of nation-building in supporting a program to do much more of that in Melbourne's west to their credit, looking at the evidence. Much more of that needs to be done, and skilling up the sector to support that, because it is not about pulling down everything. Often it is just about doing those things to make sure we keep people well and we keep their energy costs down. These are people that could not afford to put heating on in the winter or cooling in the summer and are finishing up in our tertiary hospitals filling beds just because of that, not because they needed to be there otherwise, and you know how much it is to keep people in a bed in a tertiary hospital every day.

The CHAIR: Thank you. Dr Heath.

Renee HEATH: Thank you. Thank you for coming and presenting today. I have got a couple of questions. I might start with you, ladies. The first one is you mentioned, and I sort of felt a bit of frustration, which we have seen from a lot of participants, about the hold-ups in planning. What are examples of some of the hold-ups you have seen in planning and planning system delays, and how does that impact on the delivery of housing?

Michaela LIHOU: I guess an example is around there could be opportunities here to fast-track non-controversial plans, so whether it is the fact that you could have a second dwelling on a property – use the term 'granny flat', so to speak, something like that. Some of those are examples where we have got a big planning

process that we need to go through, and if we could remove some of that, that would streamline some of the process as well.

The other thing is there are digital tools which could assist in the planning process which could also streamline it. Digital Twin Victoria just recently launched a product which is for only a certain portion of the housing market at the moment, but basically you can go and put your plans in there and get an indication straightaway as to would that comply before you actually go and submit it through to council. Therefore if there are things in it that do not comply, straightaway you go, 'Okay, I know I need to go and change these things.' So to have tools like that that could actually be offered broad-based across the broader industry would streamline things and fast-track process.

Renee HEATH: Yes, that is fantastic. Thank you. My computer has just turned off, but I think recommendation 2 from you guys talks about the review and the changes in the taxation system. What ideas or what thoughts do you have on the taxation system, and what would you change in that regard?

Michaela LIHOU: I think part of this is having that awareness of all of the different tax points which occur during the life cycle, from the land piece right through to obviously the end purchaser, and really trying to review all of those different points and working out which things are efficient, which ones are potentially a hindrance for the purposes of affordability, and seeing how some of those could be changed or removed.

Renee HEATH: Okay. Thank you so much. I have probably got time for one more question.

The CHAIR: Yes.

Renee HEATH: You touched on it briefly before when we were talking about government investment into housing affordability and then you sort of mentioned that the private sector has a role. What role do you think that the private sector can play in housing affordability?

Rob McGAURAN: I think, for a start, they bring expertise, they bring capacity and they bring some of the most elite skills in delivery because for a long time they have been it, so we have got some formidable groups around Australia and in Victoria that can do a lot. In other parts of the world they are a true partner rather than seen as the devil incarnate, and I think we have got to find a middle ground there on that – the same, I would say, around local government and the not-for-profits. We have raised the issue of lazy land in here. Under a conservative government there was a 'use it or lose it' for government departments: 'Tell us what your core purpose of this land within this structure plan is. If you don't have a core purpose, that becomes the purpose we see as being available.' They went to the private sector to deliver that. That was under Maclellan. It could have been under anyone, though. The idea that as trustees of our estate they are acting in our taxpayers' interest to address the wicked issues of the day should be on everyone. We should not see, for example, VicTrack say they have a mandate to store metal but not people at their railway stations, and that is currently what they say their mandate is. It is incredibly slow, seeing that change. But we need that happening, and the private sector can deliver that stock. If they know 'Here is the envelope' through a competitive process, they can be participants in that. The government does not have to necessarily deliver in those circumstances. Similarly on not-for-profit land, the private sector has already said they are interested. They are talking, as we said here, with the Anglican diocese – 850 properties, 450 surplus to need in inner Melbourne – as an example of assets that we could work harder for the broader interest, and local government is the same.

Renee HEATH: Thank you.

The CHAIR: Thank you, Dr Heath. Mr McCracken.

Joe McCracken: Thank you, Dr Heath, for stealing my question, but I have more. I did note that recommendation 8 was taken out too, which was about the Commonwealth Games. But they have been cancelled, so I will not talk about those with you guys. Thanks for that, though. I did want to talk about recommendation 4 from Master Builders about developer contributions. When you say things like 'clear accountability and governance arrangements for development contributions', what are you getting at there?

Diana DAJCMAN: That was just a reflection of the VAGO report that was done recently. I think in terms of industry sentiment, it is just understanding that, yes, the money is going to be taken away from here but it is going to go to infrastructure. I think it is just that transparency.

Joe McCracken: So essentially making sure that it does go towards infrastructure, because quite often what can happen is it is just pulled by councils and not actually used for the intended purpose. Is that what it is getting at?

Diana Dajcman: Yes, it is just having that strategic direction so I guess consumers, builders and property developers all have the confidence of knowing ‘Okay, this money is going to support whoever is going to live here and help with the value.’

Joe McCracken: Also the question is: why are we paying for it if it is not being actually used for what it is intended to be?

Diana Dajcman: There is that part of it as well, yes.

Joe McCracken: I guess planning more broadly can be a big challenge in itself, bringing greenfield sites on line when you are dealing with a lot of new developments. What are your thoughts on the planning process? It can take up to 12 to 18 months just to get something through. Time is money.

Diana Dajcman: Do you want to speak to that first? I can help.

Michaela Lihou: I was going to say, from the perspective of any planning, the quicker that we can get it through, the better. I think when you overlay that with some of the challenges we have obviously seen over the past 12, 18 months around price increases, from a builder’s perspective these are all the key reasons why you want to get those lots through as quickly as possible so that that end consumer who is getting that particular house is getting it at a particular price.

Joe McCracken: The best price they can, yes.

Diana Dajcman: I guess to add to that as well, we know through Infrastructure Victoria they talk about how new infrastructure is worth three times more in greenfield areas versus existing areas, so I feel like there is a bit of contention in trying to build and provide all those services for those new areas. But I think – sorry, I have lost my train of thought.

Joe McCracken: I was going to say quite often there is a lag effect of population growth versus the provision of infrastructure. You could say public transport is a very good example of that.

Michaela Lihou: Sorry, I would also add that with some of those greenfield sites it is also about making sure that when the lots are subdivided they are put in in a way that is actually going to be best for the energy efficiency of the homes that are going to be put on those lots as well, so it is about taking some of that sort of stuff into consideration through that planning process.

Rob McGauran: And if I could, just on the planning, though, in a lot of these areas the densities are not high enough to run public transport at anything other than a significant loss compared to if we, let us say, for example, redeveloped Fishermans Bend and put a tram to it or we did Arden or whatever – the return on investment, productivity and access to jobs et cetera is significant. But to your point, there are areas within *Plan Melbourne* where a population of, for example, up to 400,000 – the same size as Canberra – is proposed yet we have not got a plan for timely delivery of public transport for that. That is where we have to change things. We have got to look to the rest of the world and what they do to bring that early in those areas to make it work.

Joe McCracken: My last point, before I get cut off, to you guys again: I think you mentioned before that there were shortages in the building sector and materials particularly, which has inflated the costs, particularly over the last, say, five years – quite significantly actually. A number of different factors have caused that. One of them I know is when the government goes out to do a lot of government projects, they take a lot of the skilled workforce, plus materials. Does that have an impact on you guys at all?

Michaela Lihou: I think it is important to understand – and this is not unique to the building and construction industry – that we have an ageing population and we do not have enough new people entering into the industry. We have trades and skills shortages across the board to start with, regardless of whether you overlay that with government projects or not. Government projects will naturally attract higher wage rates, and therefore there are going to be some trades who will naturally gravitate to that sort of work because of those higher wage rates.

Joe McCracken: Because they are unionised and all that.

Michaela LIHOU: Correct.

Rob McGAURAN: And you also had the problem with COVID, where TAFE – very hands-on, being there, doing stuff, learning your skills – was stripped away from people, so that clear pathway into trades and the requisite skills to deliver that was really hammered for a couple of years. That has been another escalating factor for the sector.

Michaela LIHOU: And we have seen supply come back, and prices are sort of I guess you could call them stabilising, but labour is still going to be one of the biggest costs at the moment. And let us not forget that government provides our sector with a lot of jobs, so it is that balance between –

Joe McCracken: But as you say, it is quite a fine balance between too much demand and not enough – demand for jobs in the sector.

Rob McGAURAN: We have got that dilemma, though, that if we are growing at the speed we are, then the infrastructure has to be delivered if we are going to be productive. It is a real catch 22 and a very fine dial that the government has to walk in this. I do not envy them.

Joe McCracken: Yes. As you well know, it is about planning so that all things are considered, not just one pipeline.

Michaela LIHOU: And that is where innovation I think is also going to be critical. We need to think of doing things differently so that we can work out how we can bring costs down, be it through manufacturing or other means.

Joe McCracken: Anyway, I think my time is up. Thanks very much.

The CHAIR: I will quickly wrap this up. Thank you very much. All your recommendations are quite interesting. I just want to clear one up in relation to your third recommendation. You have got tools to support the building sector to understand regulation and legislative changes. What kind of tools? Can you be more specific? What tools are you referring to as support?

Michaela LIHOU: Part of that is around things like CPD. There are all these new regulations and things that the industry needs to be kept abreast of, and making sure that we have people trained and skilled, from a resourcing perspective, is critical. I think it is also really important to have that understanding around builders having to pay to access standards to complete their work. So instead of those standards actually being free, this is a cost that they need to continually pay, year on year, to make sure that they are building quality homes and buildings. As I said, it is the training piece and then it is that mandatory CPD.

The CHAIR: That is good. I just want to go back over to this side. You mentioned there was a number of – I think Dr Bach said about 6000 – affordable houses. Did you say that was both social housing and affordable housing per annum?

Rob McGAURAN: Look, that is really Everybody's Home's research. You would be familiar with it, probably. There is a really good piece of work that has been done and data underpinning that, with university backing as well as the sector's input into that, looking at the projections going forward. It comes really from that. We have adopted that; we think it is really soundly based. But that is just the social and affordable housing – if you like, low and very low income – sector. On top of that we need all of the key worker housing for low incomes and the key worker housing for moderate incomes, with a big focus in the short term on rentals that are thought about as homes rather than as units or program delivery. That is really the key through our view. It is not to say we do not want business as usual, pre the recent hiccup, in terms of housing supply for mums and dads who want to buy a home and all of that sort of stuff. But they should have choices too in established areas, rather than having to commute for 3 hours.

The CHAIR: The reason I ask is because there is definitely a difference between social and affordable housing – we have established that – and the amount required per annum, the estimated number. Affordable housing, yes, is something, as we spoke about, that the private sector can assist with, as well as the government, understandably. But social housing is something that is more focused on government assistance, as you –

Rob McGAURAN: That is right.

The CHAIR: I just want to establish, in relation to the number required –

Rob McGAURAN: Six thousand.

The CHAIR: Six thousand. Is that social housing only or affordable – both?

Rob McGAURAN: Very low and low-income housing. These are people, as defined in the *Planning and Environment Act*, on very low and low – so it is social housing and that group just above. They would be on a public housing waiting list, but unlikely to ever get in.

The CHAIR: The reason I ask is that you actually mentioned getting those who want affordable housing out of the housing system. I think you would be emphasising more those on the affordable side. With social housing, unfortunately because of their circumstances it is just something that might be out of their realm, so it is something that the government needs to continue on.

Rob McGAURAN: There always has to be that backup and support. When I was on the board of Melbourne Affordable Housing and then Housing Choices we knew that well-located, near public transport, and affordable-to-live-in housing for people of working age who were not in some way impaired – they typically only needed our help for 3½ years and then they were in the private sector market. It was a pathway in life that you were providing them – to opportunity. Our problem in Docklands, where we had some housing in the Merchant, was that people were getting jobs and then they were immediately outside the realms of affordability. Their choice was ‘Go and live in Tarneit’ as soon as they were out of that. So we need those pathways that are orderly and that do not uproot people and shift them; they just pay more rent over time. It has got to be the model. It is proven overseas. We do not have to reinvent it, we have just got to –

The CHAIR: Just one last question. We have mentioned councils a lot and understandable densifications. From your perspective, how do we go about actually addressing that? Because, understandably, councils are representing their own constituents, and even though they have expressed that they want more social housing, which is on a mass basis, when it comes to implementing those projects in the area, you get objections. I was wondering from your perspective how we go about addressing that.

Rob McGAURAN: Look, I think we have been really lax in how we educate people in this space. I have done a lot of town hall meetings over the years – local housing for local people. If you put that about what might happen to them – you have got an arthritic hip, you cannot live in the family home anymore, you need to be in lifted accommodation if you are going to live independently – where is that? Your kid wants to leave home. They are independent, but they are on a lower income. They work late at night. You want them to be safe. What sort of housing are they going to have? The more you make it about looking after your people and being specific about the needs –

If you talk to Boroondara people, do they want good child care? Yes. Do they want good aged care? Yes. Do they want retail services and hospitality and a restaurant open every day for lunch and dinner? Yes. Do they want good educators? Yes. All of those people that are important to Boroondara are struggling to pay rent. We have got 40 per cent of housing in Boroondara that is rental, but we do not tell that story to the people in Boroondara about providing housing for them, for their services, for their quality of life, for their kids’ education and for the child care they want. If suddenly people said, ‘We have a 3-hour commute to provide child care to your kids, good luck.’ That is what we are going to get to and what we are seeing. We need to change the narrative at a local level. I think empower them to have a crack at it, and if they do not want to have a serious crack at it, then you take the reins. Most communities and most councils will look at evidence.

Reece AGLAND: I think there is also an opportunity there to get people to visit some of these developments that have been done recently that are very focused on people living in them, rather than rentals. I live in a detached home. I never really thought about living in an apartment – I always thought they were these dingy boxes – but I have been to some of our members’ recent developments, and I have gone, ‘Wow, that has changed my mind about living in an apartment and the kind of people that live in apartments and the environment about living in apartments.’ If we are going to stop the spread, we have to make living in an apartment an attractive option for mums and dads as well, and at the moment they do not generally see that. But if they see some of these designs, they see how open they are, how much light and air comes through, they do

not need these massive houses. Those design elements might actually allay some of the concerns and some of the nimbyism about ‘Oh, not in my backyard. We don’t want all these people. It’s just going to ruin the environment.’

Rob McGAURAN: And if you can live in a place where you have got access to 2 million jobs within an hour versus a place where you have got access to 10,000 jobs within an hour, there are manifestly different opportunities for your life in that. The plan for Melbourne is not a bad one, but it needs the grunt behind it of people being prepared to put their money where their mouth is, basically.

The CHAIR: Fantastic. Thank you. I will quickly end this. Thank you very much for your time. This brings the hearing to a close. I again thank you so much, panellists, for giving your time and turning up today and giving your submissions. Your written submissions and also your verbal ones will definitely give us inspiration with our recommendations down the track. Again, thank you very much.

Rob McGAURAN: Thank you all for your interest. It is a critical issue, so it is great that you have all come together to try and come up with some solutions.

The CHAIR: We definitely try our hardest. Thank you.

Committee adjourned.