

TRANSCRIPT

LEGISLATIVE COUNCIL LEGAL AND SOCIAL ISSUES COMMITTEE

Inquiry into Homelessness in Victoria

Melbourne—Wednesday, 9 September 2020

(via videoconference)

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Dr Samantha Ratnam

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Mr Lee Tarlamis

WITNESS

Mr Brendan Coates, Program Director, Household Finances, Grattan Institute.

The CHAIR: Welcome back, everyone. Thank you all for joining us for the Standing Committee on Legal and Social Issues public hearing for the Inquiry into Homelessness in Victoria. I am sure for anyone who has been watching today it really has been enlightening. We have all—well, speaking for myself personally—learned a lot, and that will continue with Brendan Coates, who is the Program Director, Household Finances, at the Grattan Institute.

Brendan, if I could introduce the committee to you, we have Tien Kieu the Deputy Chair, Rod Barton, Wendy Lovell, Kaushaliya Vaghela and Lee Tarlamis here today. I have some formal words to let you know that all evidence taken at this hearing is protected by parliamentary privilege. That is established under our *Constitution Act* but also the standing orders of the Legislative Council. This means that any information that you provide during the hearing is protected by law, but if you were to repeat those comments outside, you may not have the same protection. Any deliberately false information or misleading of the committee may be considered a contempt of Parliament.

Behind us is a massive team of Hansard and transcribers and a whole range of people who will be taking an accurate transcript of the hearings today. That will be provided to you, and I encourage you to have a look at it, just to ensure there has been no misrepresentation, because ultimately it will form an important part of our committee's report and also become part of the committee's website.

Brendan, if you would like to start your presentation, and then we shall open it up for a committee discussion.

Visual presentation.

Mr COATES: Thank you very much, Fiona, and thank you again to the committee for the opportunity to speak today. For those that do not know, the Grattan Institute is an independent non-partisan public policy think tank. We are based here in Melbourne, and so we are sharing your pain when it comes to COVID-19.

The way that we have approached these questions around housing and homelessness is really to ask the question: what is the best way to try to solve these problems at the least cost to government and the least cost to the community but recognising that there is a substantial need for more support and that, frankly, in a lot of instances there is no way around the fact that it will require further government resources, public resources? That is a value choice that we need to decide to make or not make as a community.

I just want to check first of all that you can in fact see the screen, before I go on, Fiona. Thank you. The presentation today is to take you through some of the work that is in the submission but also a broader body of work that we currently have underway that we are hoping to publish in the coming weeks and months. Let me start by saying that this is clearly a problem of homelessness, and that is what the committee has been asked to consider, but there is a broader set of problems with respect to housing vulnerable or otherwise low-income Australians that are important drivers of the homelessness story. I want to start there before we drill down into the homelessness question. Also, our work is focused predominantly on the provision of safe and affordable and secure housing to Victorians or Australians. We are not experts on aspects of things like homelessness services, and so I will not claim to be in this instance, but we do know that you have heard a lot from experts with substantial on-the-ground experience in the sector.

Just to start off with, housing is not affordable for a lot of low-income earners in Victoria and across Australia. We can see that in the fact that Victorians are spending more of their budgets on housing, particularly if they are low-income earners. The share of total income that low-income earners have—the bottom fifth, the yellow line here—that is going towards housing has gone from about 21 per cent up to about 26 per cent over the last 20 years, so they are spending a larger share of their budgets on housing. We know as well that those that are renting are much more likely to experience poverty and financial stress than other Australians. This is showing the share of households of each type that are experiencing at least one form of financial stress, where they have skipped meals, they are failing to heat their home because they cannot afford to, or they are not paying their car insurance or their registration on time, or electricity bills.

What we see here is that if you are a home owner—the orange bars—your risk of experiencing one of these financial stresses is much lower. But there is a second trend as well, which is that younger Australians are much more likely to experience these financial stresses, particularly if they are renting. So while we are concerned about pensioners that rent, that they are more likely to experience poverty and financial stress, Australians under the age of 65, even if they are in paid work—so they are not receiving welfare as their primary income support—are more likely to experience financial stress, and those that are most stressed, on the right-hand side, are renters of working age that are substantially on income support, which goes to the adequacy of some of these broader supports like JobSeeker and the like.

At the same time we have seen homelessness increase. I will not dwell here, because the committee, I am sure, has heard enough about the extent of the problem, apart from simply to point out that while of course there is an issue with rising rates of homelessness amongst older Australians, they are off a very low base. So in the here and now the primary problem is one of Australians, or Victorians should I say, under the age of 35.

Now, this is not just an issue about poverty and financial stress; it also feeds into inequality. What we have seen in Australia over the last 20 years is that income inequality has not increased that much. The incomes of the top wealthiest 20 per cent of Australians have not risen that much faster than the incomes of the bottom 20 per cent. But once you account for housing costs, the story starts to look quite different. The wealthiest 20 per cent, because they are not spending any more on housing as a share of their income, have preserved most of those income gains, where a lot of the income gains of the bottom 20 per cent have been chewed up by rising housing costs. Then when we look at wealth it is a very different story, and housing is a big driver here. So problems with housing affordability are obviously a big issue for those at the bottom, but they are having a substantial impact on inequality across the country as well.

We see, leading out of all of this, that there are three really big problems that we need to solve when we think about how we are actually going to solve these issues facing low-income earners and homelessness in particular. I think the first one is that in a lot of instances housing is, frankly, more expensive than it should be, to rent or to buy, and part of that is that our cities have not been building enough housing, particularly in Melbourne, to meet the needs of a rapidly growing population.

Secondly, there are those Australians or Victorians that are really struggling to afford housing because, one, it is too expensive; but, two, the income support arrangements that we have are inadequate, and that is leading to people who otherwise could be very well housed comfortably in the private rental market—potentially, subject to some changes to tenure laws—really struggling to afford housing. And then there is a subset of Victorians that face other barriers to accessing housing. They may be living with a disability, they may have mental health issues, they may have recently been released from prison, or there are a number of other issues that I am sure the committee has heard about with respect to homelessness that mean that they are unlikely in most circumstances to be able to be housed adequately in the private rental market, and that is really the cohort for whom we think social housing is particularly important.

Now, I will talk very briefly about the supply story, because I think it does matter, which is to say that younger Australians, poor Australians, are predominantly living in the private rental market. If we are going to try to solve the problems that lead into homelessness for younger people, quite a lot of that is about making sure that that private rental market and the private market supply of housing is adequate, because most people who are low-income earners, who are younger in particular, are more likely to be private renters.

At the same time, we have seen fewer Australians own their own home and home ownership has collapsed essentially amongst the bottom 40 per cent of income earners. So this chart shows for each age group. The dots are what home ownership was, referring to the poorest 20 per cent and the wealthiest 20 per cent of each age group, in 1981, compared to 2016, which is what the crosses are. What we have seen is a collapse in home ownership amongst the poorest 40 per cent of every age group, and that is starting to really feed into lower rates of home ownership amongst retirees, because a lot of the people who were unable to buy a house over the last 20 years who formerly would have are instead finding themselves in the rental market as they approach retirement, which means that you will have more people who are retiring without being home owners, and that is when they will become at much greater risk of poverty in their retirement years. In fact we are forecasting or projecting, based on these trends, that the share of over-65s that will in fact own their own home will fall substantially over the next three decades to the point where only about two in three will own their own homes,

compared to about 80 per cent today. So there are growing problems coming down the pipe unless we solve those issues upstream in the housing market.

Now, a big reason why housing is more expensive than it should be, particularly in Melbourne, is the planning system makes it harder for us to have the kind of housing that we have wanted to have: close to the city, that is attractive and affordable. So this is looking at, based on some Grattan work that we did a few years ago, if you ask people where they want to live—where they are actually having to trade off a two-bedroom apartment in the inner city, a three-bedroom townhouse in the middle suburbs or a four-bedroom house further out from the city that all have roughly equivalent costs—what kind of housing do people really want to live in. What we find is that there is, at least in a pre-COVID world, a lot of unmet demand for denser forms of housing—three and four-storey apartments, semi-detached housing—and much less demand for detached housing. But in comparison, the actual housing stock, which is the second bar here on the left, shows that the housing market is still not meeting those needs. And there are various reasons for that, but some of them relate to the fact that in a system like Melbourne, where we have councils in charge of planning, there is a tendency to sort of push the problem onto your neighbour, neighbouring council: ‘If we’re going to absorb population growth, why does it have to be in this council? Why can’t it go next door?’. So we do see the politics of nimbyism is playing out, and it is having real costs.

Now, there is an argument that says if we did build more housing it would not flow through to rents at the bottom, and that is not consistent with our work, which shows essentially that those suburbs of Melbourne or of Australia that have seen much faster growth in housing as a share per person have seen much lower growth in rents. And the reason I am bringing this up in the context of a committee on homelessness is because housing is very expensive. It is the largest budgetary item most households are allocating their resources to. So if you can make even very small changes to the share of the cost of that housing, it is equivalent to a very large transfer to low-income earners that have resources free to spend on other things. It makes them less vulnerable to things like homelessness. So this is just saying: if we reduce rents by 10 per cent, we would in fact see that the bottom 20 per cent of income earners would be better off to the tune of \$500 million a year; the bottom 40 per cent would be better off to the tune of \$1.5 billion a year. That is the amount of money that we would need to spend in additional transfers to have the same benefit as that decrease in rents that we are seeing here—obviously the larger the rental decrease, then the larger the equivalent transfer. And this really matters, as I mentioned before, because the rents that low-income earners are paying and those that are otherwise vulnerable of homelessness are paying are a big driver of homelessness. This is work from Johnson, Scutella and others, who I believe have probably presented to this committee, showing that higher rents are one of the big drivers, or increases the probability, of experiencing homelessness from within that cohort of Journeys Home participants, that survey. So that is the broader housing story.

Then the next question is whether we are going to have a situation where most people can be housed in the private rental market, which is where we think we will probably end up for reasons that we will discuss shortly. Most people can be accommodated within the private rental market relatively effectively, but they lack resources. The obvious solution there is to boost their income support to allow them to choose where they want to live and be able to afford the kind of housing that would best meet their needs. The challenge here is that rent assistance has not kept up with the actual rents paid by low-income earners. Rent assistance since 1995 has increased in nominal dollars by about 60 per cent, whereas the actual rents paid by low-income earners have increased by more than 150 per cent in nominal terms. They are spending more of their resources on housing, and rent assistance is therefore accounting for a diminished share. We know as well that rent assistance is very well targeted to those at the bottom, because the majority of it goes to the poorest 20 per cent of households by wealth. The exception is rent assistance going to those sometimes as part of a family tax benefit or family assistance, which does push further up the income distribution.

This is not an issue for the state government; this is an issue for the commonwealth. If we are worried that it is purely about income as the source of financial stress for a lot of low-income households, the obvious solution is in fact to boost those income supports—rent assistance as well as JobSeeker. Now, I should say that our research suggests that if you did increase rent assistance you would not see a lot of it flow through into higher rents, the reason being that it is an income support payment that people are free to largely spend on whatever they want and most people would only spend a little bit more of it on rent. Most people are already paying so much in rent they are already receiving the maximum rate, so they would not have to pay any more in order to receive any new higher maximum rate. The Grattan has recommended we should increase it by around 40 per cent, although a larger increase may in fact be warranted if we are really trying to get people out of poverty. If

we increased it by 40 per cent, we are talking about a fiscal cost for the commonwealth government of about \$1.3 billion, \$1.4 billion—probably slightly more in the current context because more Australians are in receipt of income support and therefore eligible because of COVID-19. The best evidence we have is a study of the rental impacts from Auckland from 2018 that showed when they increased their rental subsidies for the affected areas around Auckland, rental spending went up by about 36 per cent of the total cost of the additional subsidy, but most of it actually reflected spending on better quality housing rather than just being absorbed in rental price inflation.

We have talked through the fact that a lot of low-income earners are probably well placed to be in the private rental market, but the market is not working very well for them, as the supply is not there and therefore housing is more expensive than it should be. An issue I have not touched on today but we think is very relevant is there is probably a need to keep tightening those tenancy laws to essentially allow people to have greater security of tenure, particularly in a world where more families are actually growing up in the private rental market and where security really matters. And if we are worried, for most people if we gave them additional resources they would be perfectly happy and capable of securing housing in the private rental market and would be able to do so, but that is not going to solve a lot of these problems, particularly for those at the very bottom who are experiencing homelessness or are at severe risk of homelessness.

The clear answer here is social housing. We know from some of the research that has been done by Infrastructure Victoria that your risk of experiencing homelessness falls dramatically in a world where you are in social housing. Using the Journeys Home surveys, Scutella and others suggested that there is a 65 per cent reduction in the risk of homelessness for social housing residents, drawn from that cohort of Journeys Home participants that are already at high risk. So we know that it is effective. That is consistent with the experience of other countries like Finland that did invest more in social housing and saw that flowing through into lower rates of homeless people. But it is also worth pointing out that social housing has never housed most low-income Australians. You know, even at its peak, we are talking about 6 or—there are differences in measurement—maybe 7 per cent. But on the whole most people who have been in the bottom 20 per cent of income earners have not been in social housing. They have been in other forms of tenure, whether it be home ownership or the private rental market, and I think that is important because it reflects how ambitious we think we can be in terms of the amount of social housing we need to build. There is certainly a push in some quarters to have social housing be 25 or 30 per cent of the housing stock. If we could rewind the clock to 1950 and think about going down a Singaporean model or a UK model—they in fact may be a good idea, but it is worth keeping in mind and we will talk shortly about the sheer resources that would be required to get there.

The other problem here, though, that this chart shows—this is a nationwide number, but the Victorian situation looks very similar; in fact it is probably worse—is that in a world where there is no new social housing being built, or very little, the problem is one of flows, which is to say that most people who find themselves in a vulnerable situation are unable to access social housing because most people who are in social housing tend to stay there for a long time. We know that the average tenure in social housing is more than five years. People stay for a long time—often five, 10, 20 years. And we know that very few tenants leave social housing of their own accord. So what that means, as I said, is that there is very little additional stock available for the next cohort of people, particularly younger people, coming through that need that support. And so what we have seen is greater and greater targeting of the new social housing stock available, that turnover, to those that are at very high risk of homelessness or in fact qualify as being homeless now. So this is, I think, the key problem that we need to solve in the short term: building enough social housing, enough additional net flow, to expand the stock to enable people who find themselves in really hard times to be able to get that support, because we see when we look at the numbers that the number of new greatest needs applicants tends to exceed the number of new households assisted. So there is a real problem here.

Of course social housing is very expensive, and this is the underlying problem. The gap between what the resident can afford to pay and the cost of building and then maintaining that home, plus funding the land which it is built on, the estimates vary, but we are generally talking about an ongoing funding gap of something like \$10 000 to \$12 000 to \$15 000 a year, depending on the estimate. And it is worth pointing out here there is no free lunch. There are only two ways that you can fund social housing: either cash from the government or land, and to a lesser degree we could think about using inclusionary zoning, but there is a really clear difference here between funding and financing. There is a lot of talk at the moment that we can use superannuation funds to short-circuit this problem, but superannuation funds are a provision of finance. They provide up-front capital with the expectation that they are going to be repaid. They are not there providing funding that bridges that gap

between the cost of provision and what the tenant can afford to pay, particularly because most tenants of social housing are on income support and therefore cannot afford to pay very much. So there is no free lunch here.

The CHAIR: Brendan, we are just running a bit short on time. Can I get you just to—

Mr COATES: We are basically there.

The CHAIR: Great. Thank you.

Mr COATES: The only thing I will say to finish, Fiona, is that now is an opportunity for social housing investment because of its cost. We are in the middle of a deep recession. Construction employment is going through the floor. Therefore if we do not do something on the construction sector, then McKinsey certainly are expecting we are going to see something like an extra 150 000 to 200 000 jobs lost in construction nationwide by March next year. A lot of those jobs will be in Victoria, and therefore social housing stimulus would be an obvious way to deal with that problem. I will finish there, and I am very happy to take some questions.

The CHAIR: Fantastic. Thank you, Brendan, and thank you for your submission as well. I actually thoroughly enjoyed reading it. You know, that notion that we just need to do the most good with what we have kind of leads to public housing dealing with that very pointy end and the most vulnerable. I was just interested in exploring—and I know it is a federal matter, but it kind of got my imagination going—the idea of that 40 per cent rent assistance increase, because what we have heard now is that if you are on Newstart with the full rental assistance available to you, there is about one apartment that you can rent—that you can afford—in Melbourne. Do you know with that 40 per cent rent assist increase what percentage of houses would then become affordable to people accessing that fund?

Mr COATES: That is a really good question. I think that 40 per cent increase on its own, which is about \$1400 a year for a single person, would probably not be enough for them to afford substantially more, particularly in inner-city Melbourne. If you combine that 40 per cent increase with an increase in JobSeeker, for example, that allowed them to have an extra \$100 or more a week in income, then the story would start to change. But that 40 per cent is, I think, just enough to get us back to where we were relative to rental costs in 2000, but it will not solve the problem completely.

The CHAIR: And just quickly, it looks like on your final slide that now is the moment, now is the time. Looking at one of the terrific slides you had in your submission around what is politically difficult and what is politically easy, would you suggest that now the electorate is ready for large housing stimulus in Australia, or in Victoria?

Mr COATES: Fiona, in some work we actually just published today we estimate that government will need to spend—federal and state—something like \$100 to \$120 billion in stimulus over the course of the next two years to get the unemployment rate back down to 5 per cent or below. Unless you do that, you will not see wages growth.

In that context, spending \$10 or \$15 billion on social housing makes a lot of sense. It would certainly be more effective stimulus than, say, bringing forward stage 2 or stage 3 of the tax cuts, but in reality, given the size of the costs, you could probably do both.

The CHAIR: Great. Thanks, Brendan. Tien?

Dr KIEU: Thank you, Brendan. That is a very comprehensive set of slides there. Can you expand a little bit more on when you said that the state government should steer clear of schemes to build more affordable housing?

Mr COATES: Certainly. The issue I think here with affordable housing is that it is not the best solution to either of the problems that it purports to solve. The best example of an affordable housing scheme in Australia is NRAS, but I think these criticisms generally apply more broadly.

If we are thinking about the cohort that is at severe risk of homelessness, then affordable housing, which is a 20 per cent discount to market rents, is typically not a deep enough subsidy to avoid them ending up falling in a hole. They are still very likely to fall in a hole. At the same time, though, an affordable housing dwelling—if you think about who is eligible for those kinds of schemes, it typically tends to be often the bottom 40 per cent

of income earners. NRAS—in fact probably about 60 per cent of renters were probably eligible for the scheme. And so it ends up being a lottery. If you build, say, in the case of NRAS, 35 000 affordable housing dwellings but there are something like 600 000 to 1 million people who are eligible, then it is a lottery as to whether you get that assistance.

So if the objective of something like an affordable housing scheme is not to help those at the very bottom but those that are low- to middle-income earners, we think that something like rent assistance would be a much more effective way of doing so. It is better targeted, and it has the benefit of being an entitlement that grows with the need as a demand-driven program, and it allows people more choice about where they choose to live and where they choose to use that subsidy.

Dr KIEU: Just following up on that question, in some other countries the rental assistance is paid directly to landlords. In that way it is more directed and people will not be able to spend it on something else—in some cases it could be some of the disposable spending on alcohol, drugs and so on, and in some cases rent. So why does it not happen here in this country?

Mr COATES: I think the way that we do it in Australia, where it is provided to the tenant, is the right answer for a couple of reasons. One, it gives people choices about how much they choose to spend on housing, because if I choose to live in Ballarat or St Arnaud or if I choose to live in inner-city Melbourne, my housing costs are going to be markedly different. We see a tendency that people do choose often to make these trade-offs where they will choose a larger house in a country area rather than a smaller house in the city in order to best meet their needs. You lose that opportunity if that rental subsidy is going directly to the landlord.

The other one is: if you give the rental subsidy directly to the landlord, there is some evidence overseas that when you increase that rental subsidy more of it actually does get captured by the landlord. So if you give, say, \$100 a week in rental assistance and then you increase it to \$150, then the landlord goes, ‘Oh great, thank you. I’ve seen that that’s gone up by \$50; I’m more likely to take more of it’. There is some evidence from I think it was Finland that suggested that that is what happened. So in the system in Australia, where people get to choose, obviously that rent assistance is a smaller share of the total rental cost. That strikes me as being the right way to go.

Dr KIEU: Thank you.

The CHAIR: Thank you. Kaushaliya.

Ms VAGHELA: Thank you for your submission and your presentation. You spoke about financing and funding. We have heard from witnesses from Finland, and what we understand is that they offer the government-subsidised loan to housing associations to build social housing. Do you think that would work over here, or is there any model or approach you think we could adopt to solve the homelessness issue?

Mr COATES: Thank you for the question. My first response would be: financing can have benefit if it reduces the financing cost—so the borrowing cost—but in terms of the overall funding gap for something like social housing it tends to always be very small. And that applies, for example, to the NHFIC scheme that the commonwealth is running. It does at the margin end up with a few more social housing units built, because the community housing providers better use their existing asset base, their balance sheet, because they can borrow more cheaply, but it is not a substitute for the funding gap. In the case of, say, Finland, where there are those loans there—there was already capital available through NHFIC for a large share of the cost of financing housing—if you went further and allowed them to borrow or finance more of the cost, that would marginally reduce, I think, the cost of producing social housing, but unless it is a genuine equity injection that does not need to ever be repaid, it is not really going to solve the funding gap. Does that answer your question?

Ms VAGHELA: Yes, it does. Thanks.

The CHAIR: Thank you. Wendy.

Ms LOVELL: Thanks, Fiona, and thanks very much, Brendan—really interesting thinking. Something that has sort of exercised my mind for a very long time is that we spend a disproportionate amount of money on a select few and whether we could actually help more people if we spread that money across a broader section, because obviously we spend anywhere between \$300 000 and a couple of million dollars to basically buy a

house for someone, who gets lifetime tenure, and then we subsidise their rent in that property as well for the lifetime tenure, yet there are people queued up on waiting lists that cannot get any help. So I like your thinking around more assistance through rent assistance, but do you think there is still a role there for public housing? Do we still need to have that absolute safety net for people who may not be able to survive just on rental assistance alone?

Mr COATES: Yes, absolutely. I think the evidence is now quite clear that that public housing or that social housing is very effective in providing that support to the bottom, because it is a combination of three things. It is a very deep rental discount. The numbers show it is \$15 000 a year. It is security of tenure, particularly if it is in the public sector; there is a much lower risk of every being kicked out under most circumstances. And it is often tied to some additional support services, although these are more commonly in the community housing sector, to provide that extra support. So I think it comes down to a question of prioritisation. At the moment the public housing waiting list would suggest that something like 20 per cent or 25 per cent of Victorians should be eligible, if you look at the income thresholds. We are never going to provide that much social housing to that many people, which means we are in a world of rationing a scarce resource to those that need it most. We have got better at rationing it—in fact that is how we have kept up with need—but unless you do have some additional support for those at the very bottom, then those that need that incredibly deep level of support will not get it, and that is a choice that we need to make as a community.

Ms LOVELL: So in reality we are never going to house the people who are on the waiting list now. There are 45 698 applicants on the social housing waiting list, of which 24 472 are considered priority: people who are homeless, escaping domestic violence, disabled et cetera. It is a long way to go just to house those people on the priority list, let alone the full list. So do you think that perhaps the criteria for actually being eligible for public housing should be tightened? Realistically, the 21 226 just register-of-interest people, not priority, that will never be assisted here—they are obviously probably already getting rent assistance—should they be supported through a better rental assistance program rather than a public housing property?

Mr COATES: I think the proposition that you have put is in fact the reality in how the system largely works already. If you are not on the priority list, you are very unlikely to receive an allocation. I think it is the nature of the service that we ration something that pretends that we have more available. Now, we could choose to build enough social housing to meet that need, but let us just be clear, the cost is obviously enormous. If the cost is \$15 000 a year per dwelling, that is \$1.5 billion per 100 000 dwellings. If you think you need 500 000 dwellings, that is \$7.5 billion a year that we would need to spend nationwide in order to get more people onto that list, and even that probably would not be enough. We definitely need to build more, but I think the current way the system works suggests that more people are entitled to it than in fact are.

Ms LOVELL: Yes, absolutely.

The CHAIR: Thank you. Rod?

Mr BARTON: Thank you, Chair. Thank you, Brendan. I really enjoyed that. I do not think there is any doubt that we have got to build more homes across the board, but my question all the time to myself—and I say ‘self’—is: how are we going to pay for it? I was pretty interested in the way you thought about that. You mentioned Singapore, and if I remember correctly Singapore has one of the highest home ownership numbers in the world, and effectively it was funded by the government. Can you just tell us a little bit about how that works over there?

Mr COATES: Yes, certainly. Now, I cannot claim to be a detailed expert on that area, Rod, but the basic idea is that most land in Singapore is owned by the Singaporean government. So as land values have appreciated in Singapore over the course of the last 40 to 50 years, they have in fact captured a lot of that value themselves as a state asset, and from that they are able to make allocations. The specific details are probably a little bit beyond me, but if you are a Singaporean, you essentially have the right to have an apartment or a dwelling. Because they own the land, they are not having to acquire land in order to build these dwellings.

So one way that we could replicate that system in Australia, or the spirit of that system, is that at the moment when we rezone land or allow development to take place, there is a zoning uplift; it gets built into the land value. We are currently not capturing a lot of that for the benefit of the state. It is a development right given by the community to that developer or that landowner. If we captured some of that, we think you could actually

generate quite substantial revenues, certainly more than a billion dollars a year in the Victorian context. They do this already in the ACT, where they have a lease variation charge. They have a leasehold system. But essentially if you redevelop, then you have to pay a tax per dwelling based on where it is to the government, which obviously funds general revenues. We could do something similar here. But the basic system of allowing people to have that home like in Singapore is beyond us essentially because the community does not own most of that land collectively through the state. Obviously those windfall gains of rising land values over the course of the last 40 years have accrued to individuals.

Dr KIEU: Correct me if I am wrong, but in Singapore people are allowed to get the money from their super for housing as well. That is another element that we do not have, I think.

Mr COATES: That is right. I think the contribution rate into their accounts is much higher than what we have in Australia as well.

Mr BARTON: Chair, can I just ask one quick one?

The CHAIR: Yes.

Mr BARTON: Thank you, Chair.

The CHAIR: Sorry, Lee.

Mr BARTON: She was thinking about perhaps saying no! This separation of the rent subsidy and how rents have got such a big gap—apart from the bleeding obvious, like shortage of supply and things like that and political will—why has it got so out of control over such a relatively short period of time?

Mr COATES: This is the gap between the rents, the rent assistance and the rents that people are paying, essentially because rent assistance is only indexed to the rate of inflation. So as rents have been rising faster than inflation and the housing costs of low-income earners in particular have risen even faster, that rent assistance has essentially not kept up. I think at the time of the Henry tax review in 2008 only something like 40 per cent of people received the maximum rate of rent assistance, and it is now closer to 80. The rent assistance does not go as far.

Mr BARTON: Thanks, Brendan.

The CHAIR: Lee, the floor is all yours.

Mr TARLAMIS: Thank you, Chair, and thank you, Brendan, for your submission and your presentation today. It was very interesting and informative. But the line of questioning I had has already been taken up by my colleagues, so I do not have any questions.

The CHAIR: Thank you, Lee. Brendan, thank you so much. You mentioned there was some other research, some other work that Grattan was doing on this.

Mr COATES: Yes, that is right. I will confess that my time lines have been delayed a little bit by staff working on this being seconded to the Department of Health and Human Services, because they are former doctors, to work on the COVID response, but we are certainly aiming at this year.

The CHAIR: Fantastic. Well, hopefully it might be something that we can incorporate, but I am really grateful for that. There were lots of questions we did not get to ask, and I might send you some follow-up stuff, particularly around that small household development program. Conduct, I think it was—developing a code around small house development.

Mr COATES: Certainly. If there are any other questions the group has that you would like me to respond to in writing, I would be very happy to do so.

The CHAIR: Thank you so much, Brendan.

Witness withdrew.