

# TRANSCRIPT

## FAMILY AND COMMUNITY DEVELOPMENT COMMITTEE

### Inquiry into the adequacy and future directions of public housing in Victoria

Melbourne — 17 February 2010

#### Members

Mr B. Finn

Ms M. Kairouz

Mr W. Noonan

Mr J. Perera

Mrs E. J. Powell

Mr J. Scheffer

Mrs H. Shardey

Chair: Mr J. Perera

Deputy Chair: Mrs E. J. Powell

#### Staff

Executive Officer: Dr J. Bush

Research Officers: Dr T. Caulfield, Ms T. Roy

#### Witness

Professor T. Burke, Institute for Social Research, faculty of life and social sciences, Swinburne University of Technology.

**The CHAIR** — Welcome, and thank you for giving your time in appearing before the committee. As you are aware, this is not a government inquiry; it is a bipartisan parliamentary inquiry. All evidence taken at this hearing is protected by parliamentary privilege as provided in the Constitution Act 1975 and further subject to the provisions of the Parliamentary Committees Act 2003, the Defamation Act 2005 and, where applicable, the provisions of reciprocal legislation in other states and territories. Any comments you make outside the hearing will not be afforded such privilege. We are recording the proceedings and you will be sent a copy of the transcript. At that stage you can make minor adjustments to it, if necessary.

We have a 45-minute session. I invite you to make a verbal submission. If you can, please restrict it to 15 or 20 minutes so it can be followed by questions from the committee. At the outset, please introduce yourself with your terms of reference, so that that can be recorded in the Hansard transcript.

**Prof. BURKE** — Thank you. It is a pleasure to present today. I think this is a very important process, and perhaps long overdue. My background is as a professor of housing studies at Swinburne University where we have a unique course. It is a graduate certificate, graduate diploma and masters in housing management and policy for basically the entire Australian and New Zealand social housing sector. So it is a flexible delivery course and we are the major provider of training for all the state housing authorities in Australia and New Zealand and much of the community sector. In addition to that, Swinburne is a member of the Australian Housing and Urban Research Institute and we have undertaken quite a lot of research around issues of housing, particularly social housing reform, over the past 10 years.

Having said that, I would like to make a brief apology for the quality of my submission. I have been overseas and did not have access to very good computer facilities or any resources. I just had to sit down and write from memory with the best technology that was available at the time so it is necessarily a bit selective in terms of the questions that you asked. I have not concentrated on all of them.

The first point I would like to make is that it is very important to point out that the public housing sector — indeed, social housing as a whole — by the standards of OECD countries is one of the smallest. If Victoria was a country, it would probably be the second smallest to the United States of America in the proportion of social housing amongst OECD jurisdictions. It means that particularly the public housing system is battling a very severe problem. We know that we have major problems in the private market and therefore we have a very small, highly residualised public and community sector to try to deal with challenges of the private market in a way that most other countries, probably excluding the United States, do not have.

The second point I would like to make, which is briefly alluded to in the brief paper, is that while it is very easy to concentrate on the problems of the social housing system which are in existence at the moment and are immense, we have to think about what will be the role and scale of the system in, say, 20 or 25 years time, because bricks and mortar are around for a long time. If we are looking at a population growth of around 2 million to, say, 2.5 million over the next 25 to 30 years as some people are talking about, then we can reasonably anticipate, on the basis of what has happened in the past 30 years, that around 9 to 11 per cent of that population will be in poverty. If that is translated through to the average household size of four people, it represents about 70 000 additional poor households. That is more than the entire social housing stock at the moment. So we have this huge challenge of trying to catch up on the problems of the past, let alone confronting the challenges that will be with us for the next 25 to 30 years.

A very brief point is that the submission refers, I think a bit glowingly perhaps, to the National Affordable Housing Agreement as promising a better way forward. I actually think it does not. All it provides is certainty of funding. In terms of the amount of funding, it is essentially consumer price indexed, so it will only get 3 or 4 per cent per annum for the next 10 years. It is important to have that certainty of funding but in terms of funding to enable the sector to grow to deal with the scale of current problems, let alone new ones, NAHA will not be able to do it. In effect, to me, NAHA was part of the problem, not a solution.

Turning to some of the more specific questions, there was one about the size of the waitlist and some issues around the waitlist. The first point I made in the paper is that I think I could reduce the size of the waitlist by 20 to 30 per cent like that if we had reforms in the private rental sector. I think there is no doubt that a lot of the people on the waitlist are there because of the problems of the private rental sector. These are not just problems of affordability, which we know are severe. Our research for AHURI shows that a good proportion of those on the waitlist are not there for affordability reasons; they just want the security of tenure. If you have very

uncertain lives in terms of employment and the rest of your life, one thing you do want is certainty of your accommodation. The private rental sector in Australia and Victoria cannot provide that, so people look to the social housing sector. I think that over the longer term we should be looking at reforms to the private rental sector to bring some long-term leasing to that sector. In so doing it would take enormous pressure off the private rental sector.

Again we have to point out that Australia and indeed Victoria are in a sense at the lower end of the onerousness of the Residential Tenancies Act on landlords. Most of Europe has lifetime leases. The United Kingdom has variations but does offer up to 7, 9 or 10 years, and even parts of the United States have longer term leases than here, but they also have rent control, which we do not have — or larger cities in the United States have rent control.

There is that point, and then there is the whole issue of the segmented waiting list and allocating priority to those with greatest needs, which logically one should do but it has the risk of undermining the public housing system in two ways. One is that if you put more and more problematic people into the system, it can create antipathy in the community towards public housing and make it harder, as we have actually seen in a few cases in the last year or so, to get new social or particularly public housing developments on the ground. Secondly, it has great effects on the financial viability of public housing agencies because tenants of disadvantage have higher costs for the system both in terms of day-to-day administrative costs in terms of higher turnover rates, more damage to property et cetera and also because of the higher support costs that go with those sorts of tenants.

To reverse a bit, the other problem with that is that segments 3 and 4 just find it virtually impossible to get into public housing, and they are the people who were the mainstay of public housing for 60 years. Low-income working families can no longer get into public housing.

I think we should be looking at a modification to the segmented waiting list where we cap, say, segments 1 and 2 and say, 'Look, that is going to be 75 per cent or 80 per cent' — I am setting arbitrary principles here — 'but at least we should be taking 20 to 25 per cent in from segments 3 and 4 so that there is opportunity for those people to have access to public housing so there is also a mix in social housing'.

The other point I raise in the paper is that the whole problem of the waitlist and where people are applying to — and I was sitting in at the end and listening to the whole debate about common housing registers — raises debates about the respective roles of the different components of the social housing system. I think it has become very blurred and very confused about who does what. We have different agencies duplicating what other agencies are doing and not necessarily any agency building up the degree of specialisation that certain client groups require. My preferred system would be something like where the public housing system basically just concentrated on segments 3 and 4 — low-income households.

Another part of the community sector would concentrate on higher needs households with complex needs and have the housing and be resourced for the support to take on that role. The third part of the community sector, which would be essentially like the housing associations, would be affordable housing associations that offered a lower level of subsidy, a sort of shallow subsidy. They would really be for people on moderate incomes who in different eras would have been transitioning to home ownership but can no longer do so.

Those different roles would allow the different sectors to build up the skilled staff appropriate to their roles, to manage their budgets knowing what sort of client groups they are going to have and to send signals to potential clients quite clearly about what this agency is and what their role is. That might require substantial transfers, I would expect, but if that were to be the case, we would just have to wear transfers.

I did listen in on the end of the discussion about choice-based housing systems. I think choice-based housing systems are a way to go. I think it has been demonstrated that they do work in the United Kingdom and Europe. There are issues of policy transfer because Australia is different, not least the scale of our sector is much smaller and there are many more complex-needs households dominating the system in Australia. My alternative would not be to replace one model with the other but would be to have, say, a proportion, like 20 per cent of the stock, allocated on a choice-based principle and the rest on the traditional prioritised waitlist, the more bureaucratic model. It would be up to area managers, for example, as stock became available to make the decision whether this property should be opened up to a choice-based allocation method versus one that was left within the

traditional method. More broadly, the general thrust of my paper is that for too long we have had one-size-fits-all solutions to complex and multidimensional problems. Having diversity in the allocation methods is a way of being able to finetune your policies. We have done research on how you would implement choice-based programs, and we have written a manual on the implementation of a common housing register in Australia.

Transfers as part of the waitlist is a topic that is always pushed under the table in Australia. People can apply for a transfer once they are in the system, but they are given short shrift, in effect. They seem to be an administrative burden. Once you have a property, that is it; you are lucky to have a property. It does not matter if you were first on the list and you happened to get one of the poorest properties around at that time and the next person who came along got a brand-new townhouse. You should shut up, be quiet and just accept that. That is not a recipe for wellbeing or satisfaction amongst tenants. It can be a source of resentment. It can be a potential source of rent arrears and property damage.

It is interesting that in much of the United Kingdom they have elevated transfers much higher up the waiting list scale, so a transfer can actually come ahead of a new allocation. Then the property that was available from the transferred property becomes available for the new allocation. It means that a household is not trapped forever in a poor quality area or poor quality property. We ourselves do have to consider a different way of looking at transfers in the interests of equity between client groups.

More generally in the paper I talk about a greater emphasis on locality-based allocations, the need to give some discretion at the particular locality, in particular area offices, in the allocations process in recognition that each area office has different stock, a different client group and a different private rental market which they have to relate to, so having broadly the same policies right across the board while there are very different area attributes across the state I think is potentially problematic. I acknowledge that Victoria has made some small steps in recent years towards that, but I think we still have a long way to go, and in the paper I briefly outline some of the issues around a locality-based or area-based allocations policy.

Security of tenure is always a difficult issue for social housing, and particularly public housing, when you have higher needs. Why should you have people who have been there for life or for a very long period of time who are now on quite reasonable incomes? Should we have short-term duration tenancies? My view is no, we should not. I do not think it was a very wise move of New South Wales and Queensland to go down that direction, except with the qualification I make in the paper of younger households. I do not think it is a good policy to send a signal to younger people, say 18 to 24, that, 'We are giving you a public housing unit; that is yours for life', because there is a potential for a poverty trap where you do not create the values of encouraging yourself to move on in life.

But for other tenancies, in my experience in talking to staff in Queensland and particularly New South Wales which have had this short-term security is that it is highly problematic. The staff who administer the system say it is creating poverty traps. People who are in jobs give up their jobs just before the duration of their tenancies is due to expire, because to them the security is more important than, say, a low-paid job in the tourist industry or in a warehouse where they might be getting \$400, \$350 a week. Why would you risk giving up your public tenancy under those circumstances when you might have to go into the private rental market where rent in Sydney is \$350 a week, about the same as you are getting paid for your job? You would not do it, so you just give up your employment, which is not the signals that we want to be giving to people in public housing, and there is a lot of research in the various AHURI publications over the last four to five years illustrating that absence of security of tenure and the high mobility associated with it creates health problems and reduces the educational opportunities of children because they are moving from school to school, so security of tenure is something that we should try to retain, if possible.

Getting towards the final points in the paper, the location of public housing is incredibly difficult given the structure of Australian cities, particularly Melbourne. It is basically becoming a city of high to very high costs in the inner and middle ring and lower costs on the fringe, and therefore any housing agency, public or private, that wants to build up its stock, has the challenge of where do you buy the land to do so given that you have to buy your land basically at market prices and therefore there is a tendency to push any new development to the urban fringe, which has problems because it is often poorly serviced in terms of transport and parts of it are not very good in terms of job opportunities for the sorts of people that we are likely to allocate to those properties. All it would do, if we actually built all public housing on the outer fringe, is reinforce what I think we are heading

towards — a potentially dangerous situation of a spatially divided city, anyhow, and it is something that a government has to work on for decades, I think.

In principle I think we should try and mix the stock of public housing, so it is very important to hang on to what stock we have in the inner urban areas and, through whatever means, try to create opportunities for new stock in inner and middle ring areas, and also, of course, regional areas. Having said that, I think it is not easy to achieve. I think that a public housing agency, or indeed a community housing agency, cannot resolve those problems alone, which is why in other countries the planning system is now used to facilitate the provision of affordable and social housing. In the United Kingdom and the United States inclusionary zoning, which is a requirement of the planning act as a condition of permit, means a developer has to provide a percentage of social housing or affordable housing, and that has been the major method by which you can create a mix of public social community housing and private housing.

As to improving the wellbeing of specific client groups, my view at the moment on that is you can only do it by making another group worse off, so to prioritise any one group is problematic, because even if you say the aged should be given preference, we know that not everybody in the age group that is at the top of the list is in the same degree of need as somebody with a mental illness problem who probably has a higher level of need at that very point. So whether you should prioritise any one specific need group, I am doubtful, so the only solution is somehow to increase the stock.

Finally, on staffing, I cannot say I am an expert but having taught about 1200 workers in the sector over the last 15 years what I can say is that the sector is changing dramatically. The complexities of problems are much greater than they were 10 to 15 years ago and therefore the range of skills required of a public housing worker is now just so much greater than it was, and there is no doubt that many of the existing workers do not have those skills. That is not a criticism of them because they were taken on at a different point in time and the job has changed around them and often the immediacy of the day-to-day work means that they actually cannot take time out to be reskilled or to learn new skills to cope with the challenges.

There is also the problem that the whole human service sector, of which we could say that the housing was part, is not an easy sector in which to attract or retain staff; it is a low-paid sector so there is going to be not only the problem over the next 10 years of attracting adequate numbers of staff but also assuring that they have the appropriate skill level. So in part that is a challenge for people like us in terms of the skill levels. We cannot deal with the numbers. That is what housing agencies have to do. What practices can they implement to actually retain staff because a lot of the staff are older and will leave in the next 5 or 10 years, and what can they do to attract staff to the sector? That is a summary of the presentation.

**The CHAIR** — Thank you very much for that interesting presentation. In social housing when the circumstances of tenants change, say, for instance, if their income goes beyond any threshold level, then they will be evicted. By that time maybe the family has connections to the local area — schools, hospitals, and what-not, so they are more reluctant to move on from that area. Do you have any thoughts on whether they will be offered the asset to purchase or to pay market rates? What do you think?

**Prof. BURKE** — In principle that is what we do at the moment. Anybody whose income goes above a certain threshold does not pay the household rent with a rebated rent. They do have to pay market rent, and I cannot remember the exact figures for Victoria but it is probably only 3 to 4 per cent of those in the social housing system are paying a full market rent. It used to be only — —

**Mrs SHARDEY** — I thought there was a ceiling. I thought it was something like 75 per cent of market rent, not 100 per cent. I could be wrong. I thought they could only raise the rent up to 75 per cent of market rent. Are you saying they can raise it to the full?

**Prof. BURKE** — Full market rent for certain levels of income, yes.

**The CHAIR** — My understanding was 75 per cent of market rent.

**Prof. BURKE** — That is not my understanding.

**Mrs SHARDEY** — Perhaps we can have that clarified.

**Prof. BURKE** — Yes, we could get that clarified.

**Mrs SHARDEY** — Will you take that on notice? We have got the Office of Housing — —

**Prof. BURKE** — I am quite happy to.

**The CHAIR** — Up to that point then. After that they have to be evicted?

**Prof. BURKE** — No, they do not get evicted. Most households confronted with market rents have chosen to leave over the last 15 or 20 years, so I think about 25 years ago only about 45 per cent of tenants were on a full rebated rent. The rest did not pay a market rent; they paid a cost rent, which was a rent that covered the full cost of operations of the organisation. So, in effect, the higher income groups were cross-subsidising the lower income groups, but of course when we now have a high target system with the bulk of people on Centrelink benefits and them accounting for 95 per cent of all tenants the ability for any cross-subsidisation is minimal and therefore it is one reason housing agencies find themselves in a much more severe financial position than they were in the past, particularly public housing authorities that of course cannot access rent assistance.

**Mrs POWELL** — Professor Burke, I was interested when you were talking about the blurred roles of some housing providers. We have had evidence here of different organisations that also access segments 1, 2, 3 and 4. You are suggesting that maybe public housing or the Office of Housing concentrate on segments 3 and 4, another group concentrate on segments 1 and 2, or the higher needs, and housing associations can look at other segments of the waiting list and others on moderate incomes. Do you have any examples of where that has worked and any research that has been done, because your comment about skilling up the staff for those specific skills needed for that segment is really important because you obviously cannot expect everybody to be across all the human services that are needed and the skilling that they need to deal with those high risk complex tenants?

**Prof. BURKE** — To be frank, I cannot think of any exact equivalent of the model that I am thinking of. Of course in much of northern Europe where you have very large social housing sectors, like in the Netherlands and Sweden, they have an enormous range of different types of agencies with different types of specialisations. That would be their nearest equivalent. But that said, we are looking at stock percentages of 30 to 40 per cent of your entire stock. Whether it is possible within a smaller stock I am not certain; I think it would be. In fact it is more like we did have 20 years ago, because we had a small embryonic community sector that basically concentrated on complex needs households, because complex needs households were not actually eligible for public housing back then.

**Mrs POWELL** — Sorry about this, but it is a really important issue, because one of the issues we are dealing with at the moment is that people with low incomes cannot access public housing stock. There are more people with complex needs. You are suggesting that people a number of years ago could not access public housing. What happened to those people, and why are they now more on public housing so there is not enough stock for our people on low incomes? What happened to those people in segments 1 and 2?

**Prof. BURKE** — What would happen to them?

**Mrs POWELL** — Yes, where were they housed?

**Prof. BURKE** — Back then? A lot of them were housed in institutions. This is a part of the problem we have got with the public housing system today, indeed the social housing system — it is deinstitutionalisation. The term is actually not correct though. I think we should be talking now about non-institutionalisation, because the deinstitutionalisation worked its way through about a decade ago. Now we have a process of non-institutionalisation, which is that people who would have otherwise been in institutions in an earlier era are not going into institutions. They are applying to go into public housing. You can see why the staff are not skilled in that role. It is a very different role of managing stock with just low-income households versus one with complex needs that were formerly managed by specialist trained staff in institutions.

Now I am not saying we should go back to institutionalisation, but I am saying that it is one of the challenges that the public housing system has to pick up. It would have been better, I think, if we had evolved a large community sector with the staff and the stock appropriate to housing those people with complex needs. To me,

putting someone with a mental illness and medication just in a single detached house is not necessarily a very good solution for them.

But if we had more and more purpose-designed stock managed specifically by community agencies with a charter to manage those people, then I think it would be more appropriate than what we have at the moment. One of the problems of the common register is that if you go down in that direction, you end up with nobody with any specialist skills in anything. Everybody has just got to take the people that everybody else is taking. It is not necessarily the staff that has the ability and skills to deal with the challenges of those groups.

**Mr NOONAN** — I was really fascinated by your presentation. You are the first one that has actually broadened our thinking about the impact of the private rental market which is very much market driven and which is impacted, I am sure, by the taxation system and negative gearing. It has very much become a place for people to invest. As we all know, we have some of the lowest vacancy rates in living memory in the private rental market.

I could not help but notice your wait times in New Zealand where about 85 per cent find an allocation within a year. We did get a presentation from Housing Choices Australia which provided us with some statistics from AHURI which in 2007 compared the percentage of social housing across a range of countries and New Zealand was one of them. The difference in owner occupation and social housing between Australia and New Zealand is only very marginal, so I was just wondering whether or not you might talk to us more about your ideas for private rental sector reform and, if possible, compare where we are at in Australia with some of the other countries that we would normally compare ourselves to in this area.

**Prof. BURKE** — I have a colleague at Swinburne University at the moment, Kath Hulse, who is doing work along that nature and trying to do a review of the residential tendencies legislation and other legislation that is operative with respect to the private rental sector. But I have done various bits of work over the years on it.

I am not hostile to the private rental sector — I want to make that clear. But I think we should try to work to get more effective outcomes from it, because we have to realise or appreciate that the bulk of poor people in Australia are not in the social housing sector. They are in the private rental sector. They are living, I would say, pretty poor lives. Various AHURI research has shown that the typical low-income household in the private rental sector moves one to three times a year, year after year. What sort of life is that? It is sort of moving on. You cannot settle your children into school, and it affects your employability. It creates enormous stress as you have to search for houses but have to deal with eviction notices because, yet again, you cannot pay all of the rent that is rising by 5 per cent greater than your income support.

I would not be going down the European line of recommending lifetime tenure, but I think we have to start thinking about whether we could offer three, five, or seven-year leases which are not necessarily across the entire private rental sector. You might have some taxation or other grants that might be an incentive for landlords to provide longer-term leasing. Just talking off the top of my head, instead of having, say, a \$7500 grant for home purchase, you have a \$7500 grant for landlords who are willing to rent their properties on longer term leases. They are then not financially disadvantaged. Landlords can then choose what part of the sector they would be in. I think they are the sorts of ideas that we have to play around with, although I think increasingly there are parts of the private rental sector itself that are not adverse to the idea of long-term leases because it brings stability to them as well. To know that you are going to have a tenant for five years and you do not have to worry about the costs of getting a new tenant can be quite important to their financial well-being. Of course the fear is that they will fall out, and it could be the role of a government agency to be a broker and say, 'Yes, there is a risk that in a five-year tenancy a lower-income person might fall out, but we will be the broker and we will guarantee the difference between how much you would have lost by virtue of losing that person who had signed up to three or five-year lease'.

It would be those sorts of amendments that I think we have to explore around the Residential Tenancies Act and almost make a choice-based system for landlords so that it was not an onerous regulatory requirement and that they could opt for the sort of lease most appropriate to them with incentives.

**Mr FINN** — Despite what some governments may think, the taxpayers dollar is a finite resource. I am just wondering, for those who are on the edge of the private market or, alternatively, those who could slip back into the public housing system, would it be a reasonable suggestion to use the taxpayers dollar to assist them into

private home ownership if they are in a position to do so instead of some of the suggestions that you have put forward this morning?

**Prof. BURKE** — It is an interesting idea, Bernie, and it relates to another project we are currently working on at the moment with AHURI which is low-income home ownership. My view there is that it could be operative in certain circumstances. We would not want to make it too general, because the Americans have illustrated — —

**Mr FINN** — I am sure there are thousands who it would not be applicable to, but I am talking about those on the edge.

**Prof. BURKE** — Even for those on the edge we would have to make it highly selective when making a judgement about their longer term income because, as I was about to say, we respect that the American financial crisis was precipitated largely by schemes to provide funding to low-income households. It just could not sustain those loans. We do not want to have the same sort of problem here. But I do take the point about why do we subsidise people in public housing in certain locations, particularly in regional areas, where you can get them into home ownership cheaper than the subsidy to public housing. It is quite a deep subsidy in public housing. Yet you have still got regional areas — or decreasing numbers of them — where you can buy properties under \$200 000, indeed down to \$150 000, at relatively low interest rates, even jacking them up another 1.5 per cent. You could probably subsidise them into home ownership cheaper than you could into — —

**Mrs SHARDEY** — We have had some schemes like that and they have failed.

**Prof. BURKE** — That is the old capital scheme, yes. But that was because of specific funding arrangements that it was designed around. You would have to come up with a funding arrangement that created some insulation for the tenants. Western Australia had an equivalent of the capital scheme which never failed because they used public funds. They did not use — —

**Mrs SHARDEY** — Banks.

**Prof. BURKE** — They did not use private markets, so they were not subject to the vagaries of private interest rates but the public sector still got its full interest back. I think for specific circumstances it should be something that we should be working on.

**Mr FINN** — Surely that would be a win-win situation for both parties. The homeowner would have their own home and the state would then have somebody off their hands, as it were, and allow that house to go to somebody who actually needs it.

**Prof. BURKE** — Yes, so long as we could minimise the risk for all actors in it, because we do have the unfortunate lesson of the late 1980s and early 1990s with the capital scheme.

**Mr FINN** — If we found somebody who actually knew what they were doing to run it, that would probably be a step in the right direction.

**Prof. BURKE** — Yes.

**Mr SCHEFFER** — Terry, thank you very much your presentation. I found it very thought provoking. I would just like to follow up some of the matters that Wade raised in relation to the private rental market. He is right; you are the first witness who has actually talked about that connection in the way that you have. There are a few small questions. The first one is: could you just talk to us about the structure of the private rental market? When you talk about it on the one hand you say, 'Let us not go for the life tenure like they have in Europe', and I would like to know why you say that. Could you say whether that is a problem essentially or just that we could not achieve it? And could you then talk a little bit about how the rental market is structured, so that really the best you could go for is maybe three 7-year leases, which does not seem to answer the question of security for people, because moving every five or seven years is still not having stable residency?

**Prof. BURKE** — It is still better than every one or two years.

**Mr SCHEFFER** — The other thing is that that is set in the sort of context that privileges homeownership. I guess there are a lot of people like me, for example, and the only reason that I bought a property was to pay protection money to leave me alone — that kind of thing. There might be a whole clientele, a whole market, that actually prefers rental and does not want to enter into a mortgage life.

**Prof. BURKE** — I agree with you. I am a renter myself. I made a strange decision to opt for rental, but I still live uncomfortably to some extent, because I never know whether I am going to get that eviction notice at some stage — and I have had a good landlord so far.

I have just a very brief comment in terms of life tenancies. That would be my preferred model, but I just do not think it is feasible in Australia. It is a huge quantum leap of thinking for Australians to come to the notion of a landlord losing, effectively, access to his property. What it really becomes is that properties just become just like any other tradable commodity and you trade them with the tenant intact; there is no problem. It does not affect the market in Germany or Sweden where they have got as big, if not bigger, private rental sectors with lifetime tenancy.

Yes, we do have an unusual private rental structure in Australia, which is part of the barriers to reform. As we all know, that is because it is dominated by small-scale investors for a whole range of reasons. Institutional investors are not attracted to the private rental sector, nor even wealthy individuals who might own 20, 30, 50 or 60 apartments. The six-packs we used to get in the 1950s and 1960s were often owned by a superannuation fund, but there has been complete withdrawal of institutional investors. It is now what we label mom-and-pop investors who — —

**Mr SCHEFFER** — What is the percentage of the mum-and-dad investor?

**Prof. BURKE** — It is actually very difficult to get the figures, but the best estimates are probably about 85 to 90 per cent of properties are owned by just one person or one household. The biggest problem in Australia is that the bulk of investment is in the existing residential market. Recent Reserve Bank data indicates that 80 per cent of investors, because it is easy to do so, are just buying existing, established property. They are not actually building the stock of rental accommodation, which then has this ripple effect through and impacts on the public and community sector.

It means that the low-cost rental stock has been contracting now for 20 years, because there is not this increment in supply. Talking about broader reforms beyond the remit of this inquiry, I would be looking at not abolishing negative gearing but rejigging negative gearing to reward investors who purchase newly constructed properties so that then builders and developers could go out and build new properties and have the confidence that there was a market out there for them. At the moment the small investor just buys individual properties.

Another distinctive element of the Australian private rental system is that, although we do not necessarily see it in the inner city because we see the flats, a good percentage of the rental stock, something like 60 per cent, is detached housing; it is not apartments. All those suburbs out there beyond the Richmonds and the Hawthorns et cetera with monolithically single detached housing, 20 per cent or 25 per cent of that stock is private rental in many of those areas, it just does not look it. But it is a problem that is much more problematic to manage if you are a tenant because you have got a garden. You often do not have the ability to look after it, particularly if you are a low-income tenant. There is often more maintenance intensity for the landlord so it becomes a frustration for the landlord and can create tensions between the landlord and tenant.

**Mr SCHEFFER** — Just to round that off quickly, you referred to the OECD comparators. We had on the table yesterday, which Wade alluded to, figures from the Netherlands, for example, which has 35 per cent social rental, 12 per cent private rental. What is the impact of such a large social rental sector on the private rental economy?

**Prof. BURKE** — That is a very good question, and the answer is we cannot really say because it is contingent upon what other sorts of policy levers are operative in that society. Some countries would seem from our perspective to have a very oppressive attitude towards the private rental sector. For example, in Sweden you cannot increase rents in the private rental sector beyond the rents in the social housing sector. It is the opposite to what we do here. We set our market rents in relationship to what the private rental sector does. The private rental sector has to set its rents in relationship to increases in the rent in the social housing sector. Also, there is

the lifetime tenancy yet there is still quite a large private rental sector. That is because the government effectively provides other financial levers such as tax incentives to keep people in the sector. It is the same in Germany. Switzerland, probably the world's richest country, has something like 75 per cent private rental. It is quite remarkable. The Swiss, a bit like myself, have opted for the private rental choice, and they get lifetime tenure but there are enormous financial incentives for landlords to provide private rental accommodation.

My shorthand is that we actually can look at the issues of the public sector in isolation from what is happening in the broader market. Some of the solutions to the public sector really are ones that have to occur outside that sector.

**Mrs SHARDEY** — I am interested, first of all, in a designated part of the community sector concentrating on high needs and also a little bit on locally-based allocations. With regard to the first topic, when you are wanting a designated part of the community sector to perhaps provide housing for the first two categories of the waiting list, are you thinking perhaps some of these clients would be better helped in, say, a different type of government housing? We have supported SRSs — supported residential services — maybe with a carer. In England they have — I think it is called KeyRing, where they have independent houses but there is a support worker who goes to each one of those properties each day to assist. Is that the type of thing?

**Prof. BURKE** — That is right. Say it was a newly formed housing association that had responsibility for physical disability. It would be up to that agency to make a judgement on what was the most appropriate housing stock in terms of quality, type, location and support for that client group.

**Mrs SHARDEY** — It would have to be to be highly resourced.

**Prof. BURKE** — That is right, and they would be resourced for that particular role. We do have some examples of it. Housing Choices, the housing association, originally had its origin as one dealing with disability, but of course it has been more or less pushed by the change in policy environment to become a much broader housing association. It is losing its specialist role and just becoming a generalist like all the other housing associations. That is what I would be thinking of, but it does not necessarily mean that a group would be concentrated all together. In fact you could have a couple of housing associations sharing a new apartment building where some units were for people with a physical disability, others for aged et cetera.

**Mrs SHARDEY** — A bit like CRUs.

**Prof. BURKE** — Yes.

**Mrs SHARDEY** — Locally based allocations is a very interesting concept. You have looked at a number of variables: employment, community support, a number of things. Would that fit in with the concept of clients being able to choose to live in a particular area because there were employment opportunities et cetera? You are looking at a local allocation by, I assume, the Office of Housing or a housing association. Could it also combine potential tenants being able to choose those areas?

**Prof. BURKE** — Yes. In principle you can design a system to do whatever you like. It is what you attach to the conditions of that system, so you could do that if that was seen to be one of the criteria that you wanted to make part of a local allocation system. There are problems with that but there are problems with every reform you make. The evidence increasingly is that you have too short a supply, but even within that the administrative and management reforms that were made have been very important ones, but I still think we have a long way to go to make them more flexible, more adaptive to the different range of problems that we have out there and the very big differences we have right across Victoria. As I said earlier, one-size-fits-all administrative management structures do not necessarily fit a very complex client group and a private market.

**Mrs SHARDEY** — Thank you.

**The CHAIR** — Thank you very much for that thought-provoking presentation.

**Witness withdrew.**