

TRANSCRIPT

FAMILY AND COMMUNITY DEVELOPMENT COMMITTEE

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

Melbourne — 17 February 2010

Members

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Executive Officer: Dr J. Bush

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

Witnesses

Mr M. O'Brien, chief executive officer, and

Mr T. Archer, policy and liaison worker, Tenants Union of Victoria.

The CHAIR — Welcome, and thank you for appearing before the committee. As you may understand, 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. It is further subject to the provisions of the Parliamentary Committees Act 2003 and 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. You will be able to make adjustments, if necessary, at that stage.

This is a 45-minute session and I invite you to make a verbal presentation if you have one. I realise that you have made a written submission. You do not have to go through the written submission but you can refer to it and highlight any points. Please introduce yourself with your terms of reference so that they can be recorded by Hansard. Thank you very much.

Mr O'BRIEN — Thank you, Chair, and I thank the committee for the opportunity to speak to you again. I am the chief executive officer of the Tenants Union of Victoria; my colleague is Toby Archer, policy and liaison worker for the tenants union.

We thought, at the very beginning, we would start with our comments — that it is important to be clear about the purpose of public housing. In our view it is to provide housing for those people or households unable to find or sustain appropriate housing in the private market, either through home ownership or through renting primarily private rental.

More specifically, it is really intended to supply a housing supply response where other forms of housing assistance that might be provided are inadequate to meet the challenge for those households. There are some households that are in difficulty in both home ownership and in private rental that do not necessarily need a supply response, but who may need some other form of housing assistance.

The most commonly used indicator of the need for public housing is the waiting list. There are about 39 000 households currently on the waiting list, as I am sure the committee is aware, but the waiting list really represents expressed demand for public housing and that is not the only indicator of demand for public housing. There are other measures of implied demand that go beyond that waiting list, in particular, the estimate is that there are about 23 000 people homeless in Victoria, and some of those people will be on the waiting list, but there is a significant proportion who are not on the waiting list and who would need supply, in addition to the waiting list.

In terms of the private market itself, there are about 70 000 low-income households in the private market that pay more than 30 per cent of their income in rent. Again, some of those people may be on the waiting list but a significant proportion of them are not, they are simply battling away in the private market.

It is very disappointing, from our view, that there are no publicly available figures on the match between the implied indicators of demand and the actual supply requirements. What you can get are lots of figures about what demand may look like but nothing specifically about what kind of supply would solve some of those problems. We think that is quite a significant gap that the Office of Housing really needs to fill. However, whichever way you measure the current supply of public housing or the current demand for public housing, the supply is inadequate to meet either the expressed or implied demand.

The supply gap simply cannot be met through efficiency measures within the current supply of public housing without significant adverse consequences. It has been somewhat distressing for us to see that, in Western Australia for example, the minister for housing, Mr Buswell, has targeted some public housing tenants who, it is believed, have incomes that make them no longer eligible for public housing. There are about 750 households affected. That is less than 1 in 30 people on their waiting list, so even if you completely fix that problem you would still have 29 out of 30 left on the waiting list. It creates a lot of anxiety for the tenants affected for very little return to the system. We think those kind of measures, whilst they cause a lot of distress to tenants, are unlikely to have any long-term significant impact on the supply problem.

We think the challenge for the committee is to provide some concrete recommendations that will enable the significant supply gap to be met, or at least substantially met. In the context of expressed demand of

about 39 000, we think you probably need to be talking about supply of about 30 000 additional units at least, to make a reasonable dent in the expressed demand.

The current supply initiatives that are on the table are not adequate to meet that expressed demand. The original estimate was 6000 units out of the economic stimulus money from the federal government.

Mrs SHARDEY — Four and a half.

Mr O'BRIEN — That has been reduced because the money was affected by some federal government considerations, but in any case, based on current trends in the waiting list, even if that was all efficiently supplied to the waiting list, the waiting list would simply grow to fill that gap in two or three years. That supply initiative, in and of itself, cannot really put a dent in the 30 000 units.

In terms of the other supply initiatives that are on the table, NRAS units are not really targeted primarily at people on the public housing waiting list. We think the NRAS supply may have an effect on implied demand, but it is unlikely to affect the expressed demand through the waiting list. Even though there are a significant number of units on the table, we think they will largely go to people who are not currently on the waiting list but are people who are struggling in the private rental market at the moment.

There are some small initiatives that will assist with supply. They are things like — we have talked about some of these things in our submission — stock transfers or inclusionary zoning. Stock transfer, in and of itself, is not a supply initiative necessarily but it does have the downstream effect of allowing smaller, non-government organisations to borrow against the asset base that they are gifted or get transferred by government. In the long-term that will have an effect on supply because it will enable those associations to grow their stock base, based on leverage. But inclusionary zoning is a similar thing and would apply to new dwellings and new developments, if it was implemented. Over time it will have an effect but it is actually a relatively small proportion of new developments and will take a long time to significantly add to supply.

You could reduce demand for public housing by other measures in the private market. For example, tenancy databases, which are a significant barrier to low-income households accessing housing. If they were better regulated there may be less access barriers that might reduce some of the demand for public housing, but again there is still going to be a substantial supply requirement even after some of the regulatory gaps in the private market are dealt with.

The challenge of increasing supply is both a financial and systemic challenge and certainly requires political commitment and leadership. Based on current costs if you were to supply 30 000 units the cost would be somewhere in the order of about \$7 billion. It is a large amount of money needed to affect the problem. The short way we would phrase that is: big problems need big solutions, and this is a big problem. There needs to be strong commitment from both sides of the Parliament for consistent and ongoing funding for supply initiatives.

If you put this into perspective, for \$7 billion, the maths on that is about \$500 million a year for 14 years. At the moment, the single biggest investment in Australia that has ever been made was \$500 million over three years, and that was made by the Victorian government. We are talking about an investment that is required that is significantly in excess of anything that has been done before.

There are also some very substantial planning and development challenges for increased supply. If you were talking about building 30 000 units, or anywhere even close to that, if you wanted the supply to be delivered efficiently to the market and you wanted it to be affordable, of decent standard and well located, then there would need to be some changes in the planning and development arrangements. We noted this in another presentation that we have made and we have certainly talked about it in our submission.

We do not think it is appropriate that supply initiatives are bogged down by insidious and somewhat insular campaigns at a local level. Certainly, it is not appropriate that they be blocked by vexatious objections. Quite often the objections are dressed up as problems to do with car parking or traffic flow but when you look at a lot of the objections they are fundamentally about not liking public housing. We think that is a big mistake and that requires political leadership to resolve that problem.

We have noted in our submission some changes that we are suggesting to Office of Housing policy and procedure that will enhance outcomes for current and prospective tenants, but we do not think they will affect

the supply challenge. If anything, they will make the supply challenge greater. For the system to work more effectively there has to be some flexibility in allocations and a better spread and mix of the location of public housing. If anything, that is likely to increase the supply challenge, not diminish it.

We have talked a lot in these introductory remarks about just the base level of expressed demand at about 30 000 units to have a reasonable impact on the problem. Any of the other measures of demand certainly indicate that it is much greater than that base level. The base level is a big enough challenge, but we would obviously be keen for government to show that it can deal with more than just that base-level challenge. I will probably leave it there. I am happy to answer questions.

The CHAIR — Thank you very much. Can you expand a little bit on your recommendation of inclusionary zoning? How do you propose to do that?

Mr O'BRIEN — Inclusionary zoning works a lot of different ways in different jurisdictions, but essentially it works to say that a proportion of each new development — generally above a particular size — would be allocated to affordable housing, either in the form of home purchase or home rental. How that would work is that when a development application was made there would need to be provision for affordable housing within that development.

Regarding the scale, I think the UK model goes down to about 12 units — that is, 12-unit developments. So, roughly speaking, if you did 1 in 5 in a 12-unit development, you would have maybe 2 units that were affordable housing and 10 that were not; 10 would be at open-market value.

That is, roughly speaking, how inclusionary zoning works. It can be applied to greenfield or brownfield developments. Particularly in the context of Melbourne itself if we are talking about redeveloping the urban space that we currently have, if inclusionary zoning only applied to greenfield developments, it would have less impact than if it applied to both brownfield and greenfield developments. Clearly from our point of view we expect it to apply to all kinds of new development.

Mrs SHARDEY — Thank you for your presentation. I want to ask about the tenant union's view to housing associations. Obviously housing associations were introduced with a thought in mind to bringing more capital from the private sector but also to broaden the base of people who would be able to take up this type of housing. Do you think housing associations will operate to the benefit of public housing tenants, and have you any concerns about housing stock which has been transferred from the public housing sector to the affordable housing sector?

Mr O'BRIEN — That is a big question. I will break up my answer in two parts. The first part is just generally about housing associations. We think the housing association was a good reform, because it did introduce additional players into the sector. But the thing that most concerns us about housing associations is that we think there is inadequate attention and an inadequate regulatory framework around the specific outcomes that are achieved.

It is very difficult to know in Victoria, for example, what the tenant mix in the new housing association stock is. I think this goes back a little bit to our distinction between expressed demand and implied demand. If a housing association, for example, has 400 new units and 250 people come off the waiting list and 250 people somewhere out of that pool of other implied demand, then the impact on the waiting list is less than it would be if you had, for example, a fully public development for 400 or 450 units. I think we need to be careful about ensuring that some of the assumptions that were made about the effect that housing associations would have are actually occurring.

Mrs SHARDEY — In that 250 that you are talking about coming off the public housing waiting list, are their issues around whether they will concentrate on particular segments?

Mr O'BRIEN — Yes, our view is that the allocations off the waiting list need to be evenly spread to make the affordable housing system work effectively.

Mrs SHARDEY — Over the four segments?

Mr O'BRIEN — Over the four segments and over the different providers, otherwise you are in the position where you can get cherry picking by housing associations, so that the cheaper, easier-to-deal-with tenants are all taken by housing associations, which residualises the state-owned public housing system.

I think there is evidence that there are some problems with concentrations of disadvantage in the public housing system already. We do not want to exacerbate that with the housing association reform. Our view is that the mix of tenants across the system should be evenly spread.

Also, from a practical point of view, if new stock is given to housing associations, then over time the tenants with highest needs will be in the oldest stock, and that is not really going to be a very good outcome either. So we certainly have some concerns about how those outcomes are being measured and monitored to ensure that the housing association reform is delivering the benefits that were intended. We think the benefits can be realised, but the regulatory framework is not strong enough to be confident that that is actually what is occurring.

I do want to just briefly touch on stock transfers. Our view about stock transfers is, again, that it will have an impact on supply downstream, but we do not believe that tenants should be unilaterally required to transfer. We think that is a problem. Tenants should have some choice in who their landlord is, particularly if the assumption of the housing association changes, that management style varies between providers, so if you are asking a tenant to move to another provider, who does not necessarily have the same management approach as their current one, we believe that tenants should have some choice in that.

It is possible to do stock transfers — this was tried in the UK — by just picking up a whole lot of households and moving them to a new landlord. We do not think that is a good model; we think that will have other bad consequences. It is particularly destructive for the tenant and unnecessary.

Mr ARCHER — I think the other thing that we see through our service is that there is not a great deal of awareness of the difference between a community housing provider and public housing. We certainly suggest that some people in that situation make suboptimal choices as to who their landlord is going to be.

Amongst public tenants in particular, it is safe to say there is certainly a great deal of concern and, you could almost say, distrust of the community housing providers, simply because they are used to a certain style of management and where they understand the rent assessment process. For many of them the community sector is basically a black box. There is not a very deep understanding of what is on offer in the alternative sector.

Mr SCHEFFER — Thank you both very much for your presentation and also for the very detailed submission. I would just like to go to recommendation 10 on page 15 of your written submission. You recommend there that:

All levels of government should implement policies encouraging private investment in the development and administration of social housing.

— which is a very pertinent point. On page 14 you allude to the problem, and then you say that:

Rental housing is currently not viable for investment by large banks, insurance companies and the superannuation funds for reasons such as low rental yields, a high-risk market, high management costs, illiquidity of property assets and a lack of reliable market information.

You then go on to suggest that governments need to find more ways to deal with this. I think we all agree it is a problem, and we have had Professor Burke here, prior to you, alluding to those problems as well. I think the question is very legitimate to put to government and to this committee, but through your organisation have you got ways that might push us forward in this area?

Mr O'BRIEN — I think the problem of getting private investment into affordable housing is what you might describe as the Golden Fleece, the Holy Grail, of housing policy. The truth of it is nobody has a good solution to that and many levels of government are already trying things. It is interesting, because in the international context there are ways and vehicles for private investment in affordable housing that we seem to be struggling to get to materialise in Australia. I think the short answer to that is we do not think there is any simple solution.

Having said that, the observation we would make about it is this: one of the problems with the provision of affordable housing is that some tenants are more expensive to house than others or require a deeper level of subsidy than others. Some of the subsidy problems can be made up through private capital. You can get private capital investment that will deliver a return for low-to-moderate income households. You might struggle to deliver a return to private capital for households who have disabilities or have a very low income. The only solution to that is to have that gap filled by somebody else, and the conventional way of filling that gap is for the government to fill that gap.

But it feels like in Australia in general and in Victoria in particular we do not have a suite of things to attack different segments of the market to fill those gaps. We have a blunt product — NRAS — which says, ‘We will give you this subsidy to deliver this discount to rent’, and we have public housing, which has a very deep government subsidy embedded in it which delivers a whole other product, but really — and Terry might have referred to this — a sort of one-size-fits-all product.

What we do not have is a much more nuanced approach around which sorts of households under which conditions need different levels of subsidy, and: how do we still deliver a reasonable return to private investors? The acid test about return to investors is — well there are two, really. It is all very well and good for the government to say, ‘We think we have constructed a nice program and we think it will work’, but if the investors do not come it is really direct evidence to the contrary.

The second issue is: if investment in affordable housing cannot deliver an equivalent return to other forms of investment, why would you bother? The government will need to do more over time to look at how it delivers subsidies.

Mr SCHEFFER — I realise the Tenants Union of Victoria is not a research agency, you have a whole service delivery to do, so maybe it is not a fair question. You alluded to overseas experience, and yesterday we were given data, for example, that tells us that in the Netherlands there is some 35 per cent social housing and 12 per cent private rental. What are the mechanisms there, if you know, that we might learn from?

Mr O’BRIEN — I do know a little bit about Holland, only in very general terms though. As I understand it the Dutch embarked upon a housing reform that is pretty similar to the one Victoria has embarked upon with housing associations. I do not know all of the fine detail of that, but I know there was a conscious decision by the Dutch government to implement a housing system of that nature.

In a lot of the other parts of Europe the social housing system was already large. So in Sweden — I guess Sweden is a more democratic country with that tradition, but obviously there are the eastern European countries with a more socialist approach to that. But a lot of the European countries already have significant proportions of social housing. But I know the Dutch consciously made a choice to move in that direction.

I do not think we have actually made that choice. Whilst the approach is similar in Victoria, I think we are a lot more measured or a lot, some might say, timid about our approach. We have not really bitten the bullet and said, ‘Ultimately the private market cannot provide for a significant number of people; we need to substantially grow the social housing sector’. I do not think we have bitten that bullet and clearly, from our point of view, that is what is required. If we were to make an investment of 30 000 units, that would be biting the bullet.

Mr FINN — I draw your attention to figure 5 on page 11 of your submission, where clearly Victorian public housing stocks as a percentage of total dwellings have dropped between the years 1996 and 2006. I wonder how that fits in with the increasing population in Victoria over the past 10 or 15 years, and given that clearly the percentage is dropping, and your call for 30 000 units or \$7 billion of investment — and I think I can tell you without breaking the Official Secrets Act that that is probably not going to happen any time soon — what is option B?

Mr O’BRIEN — Option B is really to let the system limp along in the dismal way that it is functioning now. That is really the only other option.

Mr FINN — So it is \$7 billion or nothing, that is your view?

Mr O’BRIEN — We have tried, I think, over a long period of time — organisations like ours in particular, but generally; it has been tried — to have incremental increases in the stock. All of those attempts have failed.

That is why we are in this position. Victoria is not the only jurisdiction in this position; across Australia the net stock declined. That is a scandal.

As population increased, as demand — implied and expressed demand — increased, we allowed the stock to decline overall. That is simply wrong. During that time there were attempts to have incremental additions to the stock, all of which failed, because what is underpinning the problem here is a lack of strong, political commitment to increase the supply to meet the demand. We think it is wrong that in Victoria the supply has not kept pace with population change.

But for us population change is not the best indicator. There are a lot of proxies for how much supply is required. We think what is actually needed is a much better analysis of: what is the real demand and how do we supply to meet that real demand? It is certainly a lot more than what we are doing now. We think that at least — the waiting list is providing some reasonable indication of that, but if we continue to do small, incremental additions to the stock we will never catch up.

Mr FINN — So you think the demand is actually greater than the government is telling us?

Mr O'BRIEN — I think the waiting list is an expressed form of demand, but the real demand is greater than the waiting list. I am conscious that the Office of Housing is here this afternoon; I think you could ask them that question. I am sure they will say, 'We don't think the waiting list is the only indicator of demand'.

Mrs SHARDEY — Are you going to wish us luck?

Mr ARCHER — The other bit of context that is quite important in relation to the point about, 'What is plan B?', is this: this is not necessarily a plan B, but figure 6, which comes from the housing minister's progress report on the stimulus package investment, highlights a really key risk, which is that once the Nation Building money has been spent we will see a really significant influx, an increase in investment in social housing nationally. But at 2013 if there is no additional investment or we do not continue on that investment trajectory we will essentially enter back into a fairly rapid decline. Addressing that, I would not suggest that it is a plan B in entirety, but as a minimum response, continuing that investment trajectory would be adequate.

Mr O'BRIEN — But we cannot emphasise enough that what is required here is a steep change in the approach to investment. Anything less than that, we are really just tinkering. It will fail.

Ms KAIROUZ — Two questions: first of all, yesterday I was talking to a colleague of mine about this and he told me that he assisted a couple of people — two of his constituents — to find housing. They then told their family and friends, and all of a sudden an influx of family and friends turned up to the office and are now on the waiting list. Do you think the waiting list is a true reflection of the demand?

Mr O'BRIEN — No, we do not. One of the reasons in our introductory comments we tried to make a distinction between the expressed demand on the waiting list and the implied demand through other indicators, is that we do not think the waiting list is the only measure of demand or the best measure of demand.

It is quite common for housing organisations, including ours, to find people who are experiencing significant difficulty in the private rental market but who are not on the public housing waiting list, for a range of reasons: ignorance about the list, or knowledge of the list but a belief that they will never get housed anyway — that they will go on the list but they will wait 10 years before they are housed — or simply they are people who do not want to go into mainstream public housing.

We certainly support the idea that a common waiting list for all social housing providers would allay some of that difficulty. It may mean that then tenants are more comfortable about making a choice if they think there is an alternative form of affordable housing.

Sometimes that reluctance to enter public housing is for good reason. I have certainly had or more to the point our organisation has had experience with, for example, people who come from a background of having drug and alcohol addiction, and they do not want to go into public housing because they do not want to move in the same circle of people they were with when they had that problem. They want a clean break.

Often it forces people in those circumstances to make very difficult choices: 'I have to stick with substandard, unaffordable housing or the only product I can get to at the moment is public housing at some point in the future, but all of the other people from the same background as me are there. I am not sure I want to do that'. Again if the system is going to work well, the minimum supply challenge has to be met. But to deal with problems like people's reluctance to enter mainstream public housing, there is going to need to be more flexibility in the system and more supply.

Ms KAIROUZ — One of the things that you have put in your submission is choice-based letting and you have got a couple of recommendations around that. Are you able to tell us a bit more about that? You have based it on a model that the UK government is piloting or going to implement, is that right?

Mr O'BRIEN — I think they have already implemented it.

Mr ARCHER — Essentially that has developed in the context of a five-year plan for social housing that they have in the UK. So they are well on the way to implementing the full-scale model.

Ms KAIROUZ — How would that work?

Mr ARCHER — Essentially can work in a number of ways. I think one of the tracks in housing policy for a long time in this country is the belief that there is an off-the-shelf solution that is available from somewhere else in the world. I think for many people choice-based letting is in danger of becoming something akin to that.

Essentially the way it works is that when you get, as it were, to the top of the waiting list, rather than just being given a very limited choice within a broad-band area you have a choice of property according to the type, as long as it fits your need, the location and, importantly, who the landlord is. Essentially the way that many envisage it would work is that you get a choice of social landlord and you may see one landlord that has a small-scale operation that specialises in disability or mental health and they might be appealing to you. One of the other things that comes behind choice-based letting is that sense of giving more information to tenants in order for them to make a good decision — really good detailed data on who the social landlord is and what their performance has been in the past. So there are really two components to it.

The way that it is tracking in the UK is that in many ways it will become akin to a private rental process, where there will almost be an ad online where you can have a look at the photo of the property, you can have a look at its profile and make a decision — 'This is my preference'.

Mrs POWELL — One of the services that you provide to your tenants is about helping make a complaint about the Office of Housing or its staff. Given that we have a fairly substantial shortage of public housing, the staff would be really stressed out and very busy. We have also heard evidence over the last couple of days about the different tenants going into public housing; they are more complex; they are more high-need because they are probably the ones coming out of the institutions, so they are going into those houses. The staff are not trained to deal with that type of tenant. Are they the sorts of complaints you are getting or are they different?

Mr O'BRIEN — We get a range of complaints about the Office of Housing. The complaints can be about two different kinds of things in a way. We can get complaints that are about pretty much mainstream residential tenancy issues like, 'They have not repaired my house. I have a problem with privacy' or quiet enjoyment with a neighbour, whatever it may be. We can get those sorts of complaints or equally we can get ones specifically about Office of Housing policy and procedures.

For example, an allocation or denial of an allocation is a policy and procedures problem rather than a residential tenancy problem. So those ones can go to internal appeal in the Office of Housing.

The problems are across a broad range. It is probably safe to say that the majority of ones we deal with that are residential tenancy issues are about repairs — sorry, the inquiries we deal with are about repairs. Our casework practice is more targeted at people who are under threat of eviction, so that can be for a range of reasons. In terms of policy and procedures, we are most likely to do appeal around somebody's tenancy being under threat. That is most likely where we would target our activity. There are other organisations that do appeals around allocations.

I think the appeals process is basically a good one, but it is fair to say that — and again you can confirm this information with the Office of Housing — a lot of decisions are overturned on appeal. What that seems to indicate is that at the first line of decision-making, which is front-line staff, poor quality decisions are being made. There was an attempt by the Office of Housing, through the Housing Office Review, to improve the performance of front-line staff and to restructure some of the jobs to enable staff to perform more effectively. We are not sure that has actually worked.

We have not noticed any significant decrease in inquiries to us, and we have certainly not noticed any decrease in appeals. I am not sure that the information is readily available, but I do not think the proportion of decisions being overturned has diminished over time either. So there is definitely a resourcing issue around how the Office of Housing does its job, but the problem that is being dealt with here goes back to scarcity of resources.

As long as the resources are scarce, the temptation for government and other providers is to ration and target the resource and that creates a whole lot of problems that then have to be resolved later on. We have obviously talked about concentrations of disadvantage — and I am not sure whether Terry touched on this — but the evidence from all the jurisdictions across Australia is that targeting of public housing has reduced the income base and increased their expenses. So it is costing more to run their housing and the rent returns are less; the policy of targeting has actually exacerbated the problem of scarcity, not fixed it.

Mr ARCHER — I think the other point about those front-line staff is that they are dealing with people with complex needs and it would right to say that there is a lot of pressure on those tenants in their day-to-day business. But the staff are not qualified and nor would it be appropriate for them to be addressing the non-housing issues that have led to many of the tenants becoming eligible for public housing in the first place.

So they are caught in a situation where they are good at tenancy management and there are some issues there, but their brief is tenancy management. However, there are a whole heap of other issues that they are simply not able to address in their professional capacity and nor is it appropriate for them to be doing so.

The CHAIR — Thank you very much for your presentation. We really appreciate it.

Mr O'BRIEN — Thank you all.

Witnesses withdrew.