



Council of Social Service of New South Wales

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24th October 2003

Inquiry into First Home Ownership
Productivity Commission
LB2 Collins Street East
Melbourne
Victoria 8003

Dear Madam/Sir

Submission to the Productivity Commission Inquiry into First Home Ownership from the Council of Social Service of NSW (NCOSS) and Shelter NSW

We welcome the opportunity to make submissions to the Inquiry into First Home Ownership. Both NCOSS and Shelter have made contributions to the submissions to the Productivity Commission Inquiry from their respective national peak bodies – the Australian Council of Social Service (ACOSS) and National Shelter. We endorse the recommendations contained in those submissions. However, we wish to highlight by way of a separate submission, a series of key issues and suggested policy solutions that are of particular relevance to NSW.

About our organisations

The Council of Social Service of NSW (NCOSS) is an independent non-government organisation and is the peak body for the social and community services sector in NSW. NCOSS works towards achieving social justice in NSW community organisation and advocates for disadvantaged individuals and communities in NSW. It was established in 1935 and is part of a national network of Councils of Social Service which operate in each State and Territory and at Commonwealth level.

NCOSS membership is composed of community organisations and interested individuals. Through current membership forums, NCOSS represents more than 7000 community organisations and over 85 000 consumers and individuals.

Shelter NSW is a community-based, statewide, peak housing body, which aims to advance the housing interests of low-income and disadvantaged people in NSW. It is also part of a national network of Shelter organisations in each State and Territory, and is a constituent member of National Shelter.

Shelter's vision is to work for a just and equitable housing system, where housing for all is a right, not a privilege.

Shelter has 119 organisational members and 46 individual members. Organisational membership includes specific-interest peak groups (e.g., tenants, youth, community housing, etc.), a wide range of housing providers, public and private tenant groups, local government councils, regional housing bodies, and community services agencies.

Housing affordability in NSW

It is clear that NSW has been particularly impacted by the steadily growing crisis in affordable housing. Nowhere else is the problem as extreme in terms of excessive housing costs in both homeownership and private rental markets. In our view the issue of affordability for first homebuyers must be addressed as part of the broader issues concerning housing affordability within the Australian housing system. Policies and practices applied to each of the three major tenure forms (social housing, private rental and homeownership) interact in ways that significantly influence both demand and affordability within each of the tenures. Currently in NSW there is a lack of affordable housing in the private rental market for rental and homeownership and a severe shortage of housing in the social housing sector. Affordability issues extend beyond the major cities and are impacting in regional and rural areas. The capacity for sustainable regional development is being severely curtailed by the mismatch between employment opportunities and the availability of affordable housing.

NCOSS and Shelter NSW consider that there are four interrelated policy solutions that need the urgent attention of government:

- 1 A comprehensive national housing strategy is needed to remove existing contradictory mechanisms and to deliver workable solutions across all tenures;
- 2 A suite of policy solutions is needed that recognises the value of both supply side and demand side interventions;
- 3 Tax reform is needed at all levels of government so that the system works to promote affordable housing.
- 4 A sustainable regional development strategy that recognises the inter-relationships between housing, employment, transport and community development needs to be developed and implemented.

The need for a national housing policy

Detailed arguments regarding the need for a comprehensive national approach to housing policy is contained in the ACOSS and National Shelter submissions and need not be canvassed here. The very fact that the situation in the homeownership market has become so dire that the Productivity Commission has been requested to inquire into the matter, indicates the seriousness of the issue for government, stakeholders and the electorate.

NCOSS and Shelter NSW believe that the lack of affordable housing is symptomatic of a broader malaise in national housing policy. Lack of affordability and resultant housing related poverty is becoming systemic – reflecting the mismatch (and at times direct contradictions) in the housing, employment, investment, and taxation and welfare systems.

NCOSS and Shelter NSW recommend:

- That a National Housing Policy Framework be developed to inform housing policy direction at all levels of government. The Framework should be devised in consultation with key stakeholders, including Federal, State and Local Government, housing consumers and providers, the housing industry, support agencies and

relevant community groups. It would bring together under one umbrella the range of strategies and policies to deliver affordable housing in all tenures; and allow financing and other decisions to be made on the basis of agreed, national, housing priorities.

Delivering effective policy – supply and demand side solutions

In our society homeownership is generally regarded as the form of tenure in which “homes” are made and where people gain access to an appreciating asset. Private rental on the other hand has been regarded as the place where people live while either saving for home purchase or waiting for an allocation to social housing. Historically, social housing provided not just a safety net for the very poor but also housed significant numbers of working people on low incomes.

During the last decade or so the Commonwealth Government has favoured demand side rather than supply side strategies. It reduced in real terms the funding of social housing through the Commonwealth State Housing Agreement. As a consequence social housing is now tightly targeted to the very poor and disadvantaged; the working poor (and others waiting for social housing) are even more reliant on the private market to house themselves. This change of policy has enhanced demand in both the homeownership and private rental market for low priced or affordable housing.

For most of the constituents for whom NCOSS and Shelter speak homeownership is an impossible dream. In Sydney especially, but also in key regional areas in NSW homeownership is unaffordable for people on average weekly earnings and below. The Commonwealth’s first homeowners grant is untargeted, possibly has a price inflationary impact and is insufficient to assist those struggling to bridge the deposit gap.

The Commonwealth has attempted to address affordability issues in the private rental market by developing and funding a key demand side strategy - the Commonwealth Rent Assistance Program. However in its current form this program fails to deliver housing affordability to many people in housing need. In the recent report *Rent Assistance: does it deliver affordability?* The affordability gap, even with Rent Assistance was exposed. For example, Rent Assistance did not deliver affordability for any single person in Sydney, even those living in the cheapest form of accommodation, a boarding house.¹

It is unreasonable to expect that an income support measure such as rent assistance or grants program such as the First Homeowners Owners Scheme could provide all the answers to the complex issues of affordability that arise as a result of the interrelationship between policies relating to each of the tenure forms. Common sense, and the escalating waiting lists for social housing tells us that a more effective balance between demand and supply side interventions needs to be struck.

NCOSS and Shelter NSW believe that Rent Assistance should be improved. We support calls for a review of the program to develop options for reform that will deliver better housing affordability outcomes. But this should not happen at the expense of capital investment in social housing.

Demand side strategies have their limitations. They are after all, only half the equation – what is needed is improved resourcing of the complementary strategy. A new determination to deliver on supply sided interventions through the expansion of social (both public and community) housing is essential.

The lack of social housing in NSW and its contribution to homelessness and housing related poverty is well documented. At June 30 2002 the number of households on the general

¹ ACOSS and National Shelter: *Rent Assistance: does it deliver affordability?* 2003. P23

housing register for the NSW Department of Housing was 90,926². Of the SAAP clients in 2001-02 who requested housing/accommodations type services 34.4% of requests were not provided, of those 16.6 percent were neither provided nor referred³ effectively leaving them homeless.

NCOSS and Shelter recommend:

- That the Commonwealth and State Governments increase funding for social housing under the Commonwealth State Housing Agreement to \$4.7 billion per year, or failing this, to a level where social housing is at least able to maintain its current proportion of total housing stock.
- That the Commonwealth and State Governments commit to a series of short, medium and long term targets for the social housing sector, both in absolute terms and relative to total housing stock. In NSW this includes a target to double the social housing stock in the next ten years at an estimated cost of (MB will insert via NCOS PBS)
- That any grants programs targeted to first home owners be targeted to those most in need.

Tax reform

The tax system and its impact on the supply of affordable housing warrants further research and consultation amongst stakeholders. Significant work is needed to determine the capacity of tax reform at both Commonwealth and State to promote affordability. Any tax reform (or changes to subsidy arrangements through tax exemptions) should satisfy an affordability benchmark – that is, tax reform would have to deliver affordable housing in a significant way.

With regard to State taxes, in consultations with constituents over the past two years both NCOSS's and Shelter NSW's constituents have consistently recommended that the State taxes collected on property transactions be hypothecated to the housing system. Both organisations have put this position to the NSW Government

NCOSS and Shelter NSW recommend:

- That further research and consultation be undertaken to determine options for reform of both Commonwealth and State tax and revenue systems that would promote housing affordability across all tenures.

Sustainable regional development

Housing plays a key role in regional development. Currently, a lack of suitable housing contributes to regional disadvantage.

Recent regional consultations undertaken by NCOSS in Far West NSW, South Coast and the Riverina regions identified a disturbing pattern of a lack of basic services, high rates of domestic violence, poor education outcomes, limited job opportunities for young people, alongside high rates of housing stress.

² NSW Department of Housing, Annual Report 2001-02 (p.19)

³ SAAP National Data Collection (NDC) Annual Report 2001-2002 (p.26)

Given this picture, it is clear that regional development policies need to take as their starting point recognition of the economic and social interdependencies of housing, employment, transport, social participation, community infrastructure and regional identity. It should also be recognised that social, economic and environmental factors interact at a sub-regional and local level in differing ways; so that a one size fits all policy approach will not necessarily produce the best result in all areas.

The traditional approach to regional development has been one of attracting and growing business opportunities, including emerging markets in tourism and education. Whilst an active economic development strategy might provide the building blocks of regional development, in that it provides much needed jobs and potential economic growth, the sustainability of any economic development will be also influenced by other social and economic factors including housing availability and affordability, transport and the provision of community infrastructure including education and training. Thus, a community and social strategy is needed to complement the economic strategy.

NCOSS and Shelter NSW recommend:

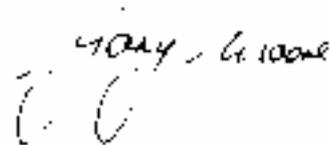
- That all three tiers of government work together to develop a coherent, sustainable regional development strategy with a focus on job creation, community infrastructure (including in particular transport) and the supply of affordable housing across all tenures.

Thank you for considering this submission. Should you require any additional information please don't hesitate to contact either Michelle Burrell Deputy Director (Policy) at NCOSS or Mary Perkins Executive Officer Shelter NSW ph 02 92675733 ext 14.

Yours faithfully



Mary Perkins
Executive Officer Shelter NSW



Gary Moore
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