

Submission by V.R. Edward Camp.

Public Housing Rents.

Dear Commissioner,

I wish to submit my comments on the recent press release under: *Public Rents for Public Housing*. Reported by Rick Morton in *The Australian* dated June 2nd. The basis for the Productivity Commission's suggestion appears to be based on the fact that if a tenant in public housing is being charged a rent of 25% of income, then this is manifestly unfair to other tenants in private rented properties.

Originally in Queensland the rent for public housing was at 20-9% of income with the idea being that families could possibly save for a deposit to buy their own home when they were paying a low rent. The Queensland State Government was proud of the fact that whereas in 1947 37% of homes were being bought by owner occupiers, by 1980 it was at 70%. In 1970 the Queensland State Government built a number of houses at a retail price of \$9,500 with a mortgage to age 65 at \$14 a week repayments with no stamp duty to pay, a simple deposit of \$500 payable. The interest for the loan being at 7-25% which was low in 1970. With the average wage in 1970 of around \$60 a week, the payment of \$14 was around 24% of income. This scheme had been carefully calculated by the State Government for low income people and the percentage of mortgage payment to income was crafted to ensure no bad debts. The scheme worked well but no provision was made for capital gains on properties and many buyers were tempted to sell their homes and the scheme was wound up.

In recent years the percentage of rent payable to income has been fixed at 25%. In NSW the rent ratio has been fixed at 30% which is far too high and the NSW Public Housing system has been allowed to slide into chaos with tenants waiting over one year for simple repairs such as a tap washer replaced. Owing to an influx of Chinese investors, an increase in population, falling returns on many investments, the lure of property has caused an enormous rise in property prices in Sydney and Melbourne and many homes in Sydney are priced at a minimum of \$1 million. This has seen a spiralling in rents. One lady wrote to the press to say she got \$580 a fortnight on the dole while her son got \$360 a fortnight making total income of \$940 a fortnight while

her rent is \$390 a week or \$780 a fortnight leaving her with \$160 plus the Commonwealth subsidy of around \$120 a fortnight. That leaves her around \$280 to pay electricity, gas, telephone and food plus and general living expenses.

The Productivity Commission wants to scrap fixed rents and slightly increase the Commonwealth housing rent allowance a few dollars. Yet they must know that more Australian workers are being made casual and part-time and a low rent is a major help to them. If you want to look at unfairness, how about the person who wants to buy his or her first home. If he or she is on \$105,000 a year income and wants to buy a house to live in then all the banks will lend is \$600,000, but to investors on the same income they will lend \$1 million. This is unfair and the number of first home buyers in the young age group 25---35 has fallen to 30% while two million working people now own more than one house. Banks are also giving priority to people wanting interest only loans which also stokes up the rise of house prices. In five years the price of homes in Sydney rose 20% a year and rents are linked to prices.

In Queensland one in every three people rent and one in five aged pensioners rent also. In the private market most of the homes are on six month leases and this gives the landlords the right to increase the rents constantly. If a person cannot pay then they have to move. That might be alright for young people but for senior citizens it can be very distressing. Furthermore, the majority of the property investors are really only in the market to make capital gains so private tenants are always at risk of being evicted so the house can be sold. For disabled people to be constantly uprooted is harmful to their health. Over one million people today are cancer sufferers either under treatment or in remission while some are terminal cases and it is a fact one in six of terminal cases are in financial difficulties.

In Queensland it has been stated that 54,500 properties are managed by Queensland Housing. All rents are at 25% of income, the tenants have security and that they are not being harassed every six months by property investors keen to hike up rents constantly. Whereas repairs in private rental properties are sometimes neglected the repairs in Queensland Housing Commission properties are first class.

The waiting list for Queensland Housing Commission properties is said to be at 60,000 but the State Government has been able to provide living accommodation for many people classed as high priority but it is known around 180,000 have difficulties in the private rental market to pay

exorbitant rents for properties grossly over-valued. The Commonwealth Government in 1996 abolished the Housing portfolio in Cabinet and right up to 2007 stopped all investment in housing yet property prices were doubling causing more people to get into distress.

The new minimum weekly wage has just been fixed at around \$692. In 1980 the minimum wage was 80% of the regular wage but in recent years it dropped to a mere 43%. At present it is now about 51%. A rent of \$400 a week would be at 58% of the minimum wage. Over many years experts have recommended that mortgages or rents should not pass 30% of income. But in many cases people in private rental properties are paying in excess of 50% of incomes and today we have a situation that the old job market of fulltime employment has changed to one where up to 40% of workers are casual or part-time. They have no holiday pay, sick pay, long service or Worker's Compensation. 670,000 jobs in Queensland are now casual or part-time and nearly half the new jobs created are only part-time. But they did have the security of their rent at 25% of their income which is never the same week to week. Yet now the suggestion is to take away that security and force tenants to go into the private market where they may be paying up to 60% of their income, a rise of over double leaving them in absolute poverty.

Casual workers accounted for the majority of jobs in food and accommodation sectors and half the workers in agriculture and fisheries. The ACTU stated over 325,000 workers had been employed causally for over five years. Two in three workers in hospitality are casual, while 40% in retail are casual. This means a less certain income for many families and paying high rents with rising fuel bills is the cause of more families breaking up and the creation of a large class of single parent families.

Australia has been listed as the second highest wealthy nation in the world yet it only spends 8% of GDP on welfare compared to 10-5% for New Zealand, 9-6% for the USA, 18-9% for France. The average wealth of the ordinary Australian home owner is over \$500,000 excluding the family home, a business and luxury goods. But for the renter, they pay more than a property buyer over a lifetime yet they have nothing in assets.

To recommend that subsidised rents for poor tenants be abolished is short sighted. It is simply making the poor pay for an economy that was riding high on minerals and is now relying on property and construction to keep the economy on the boil. It is further impoverishing the poor and I feel the Productivity Commission should consider the *Gini Coefficient*

where the share of national wealth being taken by the top 1% of the population is measured. It is generally agreed that the poverty level is around 60% of the median wage and in Australia it is at \$800 a week and the minimum wage falls short of this.

In many of the leading nations the income share to the top 1% often equals over one third of national income. In Australia 195,000 households have over one million excluding the family home or business. But 2-6 million Australians are in poverty and 262,000 are children. The ratio of poverty in Australia is at 11-8%.

It surely is a retrograde step to force thousands of public housing tenants to go to the private market especially when many of them are elderly, in poor health or disabled. It is only an excuse to privatise public housing and it could encourage more property speculators.

The Productivity Commission no doubt would have been in praise of the fact the average American worker produces six times what manufacturing workers produce in many developing nations. But at \$25 an hour against \$3 per hour in Mexico that is only accelerating the manufacturing exodus of more jobs offshore. Since around 1990 the USA has lost 54,000 factories and 19 million manufacturing jobs to off-shoring. President Donald Trump is keen to get more factories to come back to the USA but the education of many manufacturing workers is insufficient to work in a modern factory where staff have to control and work with robots.

The obvious answer is not less public housing but more. The Labour Leader in the UK has made it a important plank of his policy to build over one million public housing properties and he received almost half the nation's votes. It is not money wasted because the money that is spent on helping the poorer people comes back to the economy under Say's Law that clearly says people will spend most of their surplus income on goods.

One of the arguments put up to attack the principles of helping poor people with housing is that there is a drastic shortage of properties. But this is not the case, over 800,000 properties in Australia stand empty and idle. Many of them are set up in trust funds to lower income tax! A lot of them belong to people who have holiday homes that are mostly unused and another large number is where people have gone overseas. In the UK the authorities did take over some of these "empty" houses.

It has been stated that in Australia that one third of retirees are running short of money. People in the 75 year to 79 year age bracket are vulnerable of having nothing but the aged pension and with private rents often over \$800 a fortnight nearly all their pensions are swallowed up in rent. If one pensioner dies then the sole survivor cannot afford \$800 a fortnight and are forced out! Often, the aged survivor is battling ill-health and to be forced to move is extremely distressing.

What is needed is a tax system to stop enormous wealth accumulation by the directors of companies. In 2009 the CEO of Macquarrie Bank was on a salary of \$27 million and the retiring CEO collected \$50 million. Between these two the bank had to pay out \$77 million.

I feel this is a very bad suggestion to advocate taking away public housing and the 25% rental level. It is really not being truly responsible. It is becoming surely clearer that the days of taking away all restrictions to promote free trade at all costs usually will lead to greater problems. The Sub-Prime Crisis in the USA took away controls on housing loans and the result was that the housing market collapsed plunged the USA and much of the world into a financial crisis. In many parts of the USA the houses are still unable to surpass their 2005 value!

Moving millions of well paid manufacturing jobs from the USA and Europe simply for cheap labour has seen millions of middle class Americans and Europeans reduced to poverty while the richest 5% in these societies have gained constantly. The high rents in the private market cause over 30,000 Queensland people to have their electricity cut off for failure to pay the energy costs.

The Productivity Commission has ignored the fact that public housing tenants have very often no garages and their cars are exposed to the sun and to hail damage. They have no air-conditioning, no solar panels forcing them to pay the top rate for energy. None of the properties have built-in wardrobes or en-suites. Years of neglect has caused many of them to fall into a poor condition. In the UK a scheme to allow public housing tenants to buy their own home went off the rails when councils sold off their best properties but did not build any new homes causing even more pressure on public housing.

When this writer was visiting my son in the USA in winter the house he has was warmed by central heating. When he paid for me to go to the UK to visit my original home the hotel was likewise centrally heated. But at this moment I am in a Housing Commission house at 10-20 am with

the temperature of 18° C and I am cold. But it is too expensive to run an electric fire so I just have to put up with it. But health experts have warned that people in temperatures below 20° C run the risk of heart attacks and strokes from rising blood pressure to offset the cold. I am almost 80 and suffered a heart attack and a stroke a few years ago. With my own blood pressure kit I can see that as the temperature falls the blood pressure rises. It has been calculated that 40% of people over 65 have high blood pressure and high blood pressure is the trigger for heart attacks and strokes.

Every year over 50,000 people suffer from strokes costing the nation over \$5 billion. \$3-3 billion is caused by lost production and lost wages as one in four of stroke victims are under 65 and working. 12,000 die and around 11,000 are disabled for life. When all the discussions of energy costs are debated no considerations are given to the fact that many people renting are so impoverished they cannot even have lights on at night and sit in the dark feeling the cold. If they are old and feeble then that cold is possibly lethal.

I submit that the suggestion to do away with lower rents for public housing tenants is a retrograde step and will actually cost far more than it will save. No doubt developers would like to obtain the land that many public housing properties stand on (such as at Chermside, a very wealthy area, a lot of public housing properties are close to the Westfields Shopping Town and one can imagine how the developers would love to build their high rise towers on that land), and governments must be careful not to allow their planning to be clouded by people who have no real interest in housing the community but an interest in obtaining the maximum profit at all costs. Many people buying high rise units off the plan are paying tomorrow's prices today! When they try to resell them around 40% find they have to take less money and make a loss.

The media are always telling their readers of 'dole bludgers' refusing to attend interviews about jobs. In 1968 when this writer came to Brisbane, I had a job of canvassing young folk for insurance and the rate for joblessness was less than 1%! I do not believe the young people today are anymore lazy than they were in 1968. Why don't they respond to work offers and seem happy to live on the dole? *The Australian* in an editorial stated the real joblessness rate for young people is at 25%. Many young folk find that the chance of being hired is remote and the only offer of work is for casual work with fluctuating incomes. While the dole is low it is regular.

40% of school students get to university but there is a large number of students who leave school poorly educated. They have poor literacy and numeracy skills and the reason is due to the fact that when they are five years old they lack essential vocabulary abilities. They often do not even know their times table for maths and cannot work out how to solve problems. Every effort should be made to provide secure housing for these people. They will only manage to secure casual work and to really upgrade their skills would mean special teaching which is unavailable today. Yet that is what needs to be done. In the USA many of the workers being displaced have only a high school diploma and this makes them unable to work with robots. It usually takes a degree for this ability.