



**TRANSCRIPT
OF PROCEEDINGS**

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PRODUCTIVITY COMMISSION

INQUIRY INTO FIRST HOME OWNERSHIP

MR G. BANKS, Chairman
DR D. ROBERTSON, Associate Commissioner
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TRANSCRIPT OF PROCEEDINGS

AT MELBOURNE ON MONDAY, 9 FEBRUARY 2004, AT 9.35 AM

Continued from 3/2/04 in Sydney

MR BANKS: Good morning, ladies and gentlemen. Welcome to the first day of the Melbourne public hearings for the Productivity Commission's inquiry into the affordability of first home ownership. My name is Gary Banks. I'm chairman of the Productivity Commission. The associate commissioners for this inquiry are David Robertson on my right, and Ed Shann on my left. The purpose of the hearings is to provide those who have an interest in the inquiry with the opportunity to present submissions in response to the commission's discussion draft, which was released, as you know, on 18 December. We chose the discussion draft format rather than a more comprehensive draft report because of timing considerations, but we have focused on the key considerations in forming our findings to give you the opportunity to comment on those.

At the conclusion of these hearings in Melbourne, having already conducted hearings in Sydney and Brisbane, we'll proceed to prepare our final report. The public hearings allow anyone to have a say in person on the issues under consideration, and for others to listen to those remarks and respond if they wish. We try to keep the hearings as informal as possible, but the Productivity Commission Act does require that people be truthful in their remarks and a transcript is made of the proceedings. That transcript is placed on the commission's website.

I would remind participants that all submissions need to be in by mid-February, to allow us to draw on them adequately in working through to our final report, which has to be completed by the end of March. I would now like to welcome the first participants here in Melbourne - the Urban Development Institute of Australia (Victoria). Welcome to the hearings. Could I ask you, please, to give your names and positions with the UDIA?

MR UNDERWOOD: Thank you, Mr Chairman. Good morning to you and your fellow commissioners. My name is Geoff Underwood. I'm the executive director of UDIA (Victoria) and with me on my left is Chris McNeill, the assistant director of UDIA (Victoria).

MR BANKS: Well, thank you very much for attending the hearings. As indicated earlier, thank you also for two very useful submissions. As you would have appreciated, we drew on the first submission and, indeed, I have a couple of questions relating to that first submission as well, but I'll first give you the opportunity to provide a bit of an overview of your reactions to the draft report.

MR UNDERWOOD: Thank you, Mr Chairman. We'd like to proceed, in fact, in the manner that's suggested in the forms, where I should like to make some opening statements and then pass to Mr McNeill to take you through our submission on the discussion draft. The first point of three is that while it might be late in the process, it occurs to me, reading the discussion draft, that the title of the topic that you're

examining, first home ownership, in fact, is only one part of the issue of home ownership.

First home owners are just one aspect of the market, and I think that comes clear from reading the report in its entirety, where the issues you deal with, the various matters that influence home ownership and the ability of home ownership, apply broadly not just to one group. I would encourage you that if it's not possible to even address the title of the task that you have before you, to make a specific statement that first home owners are just one part of the market; that the solutions you present and the topics that are to be discussed apply broadly. Through the report there is reference to community benefits and impacts generally of proposals that you put - taxation, supply and demand issues, et cetera. All impact on home ownership, whether it's for the first home owner or any other home purchaser. So I put that to you.

Second is to say that I find it very pleasing the way the report is put together, that highlights that there is no single influence on home ownership abilities or affordabilities or supply and demand; that there are, in fact, many factors melded together that interplay on each other. There's no single cause for the housing circumstances that apply today: the cost of housing, the availability of housing, all of the attitudes towards housing, or even the processes that apply to development and planning et cetera. There's no big-bang fix, just as there's no big-bang problem.

What the draft suggests is there is a whole lot of things that can go toward helping home ownership. To deal with one will have impacts elsewhere. It's like pushing a balloon. If you press a balloon in one spot, it pops in another. To continue with the metaphors: if you play with the plasticine, you push it in one spot, it pops out in another. So it is with all the aspects of the issues that go to home ownership. The Urban Development Institute, which represents people from the land subdivision, the house-building and all the services and the professions that go with it, well know that, but it's good to see those sorts of statements put into one document, where those who think one element is more important than another, can learn the interplay of the various factors.

The third is, if I might - to continue speaking metaphorically - say that just as diamonds are said to be the girl's best friend, so too is home ownership the great Australian dream. It's more than a dream. It's about 80 per cent home ownership, according to your draft, sir. As a diamond can have many facets, so too does this industry have many facets to it, many players, many influences, many decision-makers, all of whom, along the path of each successive action, influence the end price and the ability of people to buy a home. The diamond is a diamond, no matter how many carats in it, how many facets to it. It's still a diamond. A home is still a home, no matter its size, its location, its cost or whatever. There are some

good points in the discussion draft that play up the benefits of home ownership across the economy and socially. With that in mind, we have prepared a further discussion paper for you on your discussion paper, and I'd ask Mr McNeill to take you through that.

MR BANKS: Thank you.

MR McNEILL: Mr Chairman, commissioners, you've got a copy already of our response to the discussion draft. We'll just reiterate and reinforce some of the commentary contained in that draft. I'll do so on the basis of the sections as titled by the commission in the discussion draft. So once again, we welcome the opportunity to respond, and welcome the commission's work to date in preparing the discussion draft, and reinforce the comments that Geoff Underwood has made.

To section 4 - What Role for Other Demand Side Forces - the commission made note of the issue of immigration and population growth and its impact on housing affordability. In our response, we would just like to reinforce the findings of the commission, and that is to say that the impact or effects of population growth and movement on demand for housing are subtle and complex - page 49 - and a detailed analysis requires a far deeper and greater understanding of a number of the underlying trends and variables. We would like to reinforce the following points: firstly, we note that rapid price rises have occurred in many areas where there has not been rapid population growth; we support and reinforce the Productivity Commission's view that the highly complex issues underpinning population growth make it almost impossible to accurately assess its impact on house prices; lastly, we agree that overall immigration policy and population policies in general need to be determined by far broader community considerations than their alleged impact on house prices.

To section 5 - Has Taxation Played a Role - we noted in our response that we do not wish to go into great detail on the issue of taxation. As representatives of the business community, we are only too aware that sacrifices of a revenue base in one area will need to be made up in another, and to dwell on the whole issue of taxation in too much detail is perhaps not the best use of time. Having said that, we wish to make two points: firstly, the inconsistent and varying taxation arrangements adopted by each state in relation to property transactions create unnecessary inconsistencies between the states, and contribute to the variances in housing prices between the states. Of note, UDIA Victoria will take particular interest now in the promise by Premier Beattie to provide first home buyers in Queensland with a stamp duty exemption, and we'll note carefully the impact that has on prices and the situation in Queensland.

Secondly, we wish to reiterate a key point contained in our original submission

in respect to the land tax arrangements in Victoria, and to quote our original submission, "The significant issue for the development industry in relation to land tax is the application of the tax to land holdings intended for development." UDIA Victoria has argued consistently over a long-term period now that the application of land tax to what is essentially an industry stock-in-trade, is an inappropriate charge, and unique in industry throughout Australia. We hold that this unfair situation is not matched in any other industry, and hence represents a cost distortion unique to the land development industry. As with any taxation levy or charge, the cost of this arrangement is factored into the sale price of developed lots for land, and therefore impacts directly on the prices paid by home buyers.

To section 6 - the question of Has Supply Got Tighter. In the discussion draft, the commission made the point, and I quote, "In Victoria some controversy has centred on the imposition of an urban growth boundary as part of the Melbourne 2030 Strategic Plan. The boundary is part of a strategy to manage development at the urban fringe, and encourage more dense development in specific established areas and along designated growth corridors." In our response to the discussion draft, we've noted that last point in particular - the point of designated growth corridors. We noted that with some surprise, as a growth corridor strategy itself is precisely the outcome that UDIA Victoria would desire in future amendments to the Melbourne 2030 Strategy. At present, there is no growth corridor per se to find. In particular areas, as it currently is structured, the urban growth boundary is drawn, if you like, with a dotted line indicating where future amendments to the UGB will take place.

In our submission, we stated that, "While Melbourne 2030 suggests that additional land will be included within the UGB over time, to ensure an adequate supply, the document is not actually precise as to where those amendments will take place. At present, therefore, there is no formal growth corridor plan, and this represents the issue of principal concern to the urban development industry. With no certainty as to where development will occur beyond the UGB, companies have, and will continue to have, to secure developable land within the UGB, escalating prices further. Since the announcement of the UGB in October 2002, wholesale land within the UGB has become a precious commodity, with an influx of buyers from interstate in particular, increasing land to the value of between 100 and 300 per cent per hectare, frequently quoted within the industry. For the most part, this land has yet to be developed, and as such the impact of these increases has not yet been felt by the home buyer," but it's a sleeper issue.

Another point raised by the commission in the discussion draft relates to consolidation policies that are being pursued, or that introduce constraints on fringe development, if you like. The effects on housing affordability depend on the scope to increase housing densities. The commission suggested that this scope may have

been overstated. We would reinforce that view. It's certainly the view of UDIA Victoria that the ability for urban consolidation to occur to the degree forecast by the Victorian government is, as the discussion draft suggests, overstated. With recent figures released by the Australian Bureau of Statistics showing a continued and steady decrease in the approval of high-rise apartment dwellings, the aspirational targets for urban consolidation contained within Melbourne 2030 appear increasingly unlikely to be met.

We believe the key reasons for this to be firstly that urban consolidation strategies have not yet been adopted with the level of vigour required at a local government level, many of which face organised and politicised opposition to medium and high-rise development. Secondly, despite efforts to improve the situation, the statutory planning environment in Victoria continues to frustrate, through costly delays, the objectives of the strategic planning policy, as in Melbourne 2030, and the ongoing preference of Australians for detached housing is stronger than previously expected.

The table we've included within our response to the discussion draft illustrates the degree as recorded by the Victorian government's urban development program which monitors land supply in both broad hectare and established areas period by period or year by year. That already indicates that the proposed lot constructions in broad hectare areas diverges significantly from the aspirational targets contained in Melbourne 2030.

Lastly, in section 6, relating to supply, the commission suggested that Victoria's current review project, a process of its statutory planning process, titled Better Decisions Faster, is well designed and focuses on the key issues. It could well be emulated in other jurisdictions. Our response to that comment is that while UDIA (Victoria) has and will continue to support the Victorian government's efforts in this matter, and the efforts made within the Better Decisions Faster paper, we will continue to encourage reform in the planning approval process.

UDIA believes, however, that to describe Better Decisions Fast in the light described in the document is to substantially overstate the impact or the likely impact of the review's outcomes. While Better Decisions Faster proposes 34 recommendations, of which 33 remain possible, it's important to note that only 30 of those recommendations relate to applicant-specific matters and do not simplify the actual process of planning approvals at all. It is our view that Better Decisions Faster could be more accurately described as a step in the right direction, but to imply that it will materially address the concerns of industry or the community is considerably overstating its impact.

To the question in section 7, "Are infrastructure charges excessive?" we

broadly support the view of the commission in its warning against extending developer charges to community-wide charges and, to paraphrase here, we simply urge the Productivity Commission to take a very strong position on that matter. We do not believe it fair to expect home buyers in new housing developments to be subsidising infrastructure that supports policy initiatives benefiting the community at large.

To section 8, "Are industry performance and building regulations appropriate?" the commission suggested there is scope to improve work practices in parts of the construction industry. In our response to the discussion draft, we suggested that it has been widely reported both within the media and industry that the cost of construction in Victoria is somewhere between 20 and 30 per cent higher than in Sydney or New South Wales. This situation is now endangering a significant number of projects, particularly medium and high-density projects, which underpin the viability of the entire Melbourne 2030 strategy, and in particular its workability in relation to the development of activity centres. The urban development industry regards this issue specifically as a statewide issue and, if not addressed, has the potential to seriously undermine the Victorian government's policy. We urge the Productivity Commission to note this issue as a matter of particular importance.

We've also noted that the commission in relation to building regulations suggested that there are some apparent shortcomings in the way that building regulations in Australia are developed and implemented. The commission noted greater compliance with regulatory impact statement requirement would help in this regard. In our submission UDIA (Victoria) expressed our concern at the introduction of new and often expensive design and engineering standards, often imposed without a true understanding of the broader cost to the community and the home buyer in particular.

We argued that prior to design standard changes, a comprehensive and mandatory cost benefit analysis should be undertaken, taking into account not just the changed risk profile of the responsible authority but the true costs to the community at large. We note the discussion draft's comments in relation to the Building Code of Australia and in broad terms agree with the participants' views on the variety of problems associated with a national approach. We believe, however, the role for the Commonwealth in this area is still required in the long-term funding of the development assessment forum, DAF, aimed at encouraging the adoption of best practice and, where possible, uniform standards and practices.

Broadly, chairman and commissioners, that summarises the key issues that we found in the discussion draft and summarises in brief the sort of points we wanted to specifically support the commission in its views or to suggest or urge the commission to take a stronger view in those certain areas that we've raised. Thank you.

MR BANKS: Thanks very much. I think probably the best thing for us is to sequentially go through in the same way that you did. I might just comment first, though, that you've used again an excellent Tandberg cartoon on the front of your submission, which you had on the first one, and indeed you had a number of excellent Tandberg cartoons on the first one, and I just wanted to ask you: when does that cartoon date from, the one that you have on the front there, that shows a receding dream house and a couple of people chasing it?

MR UNDERWOOD: Mr Chairman, in 1976, UDIA published a book called, "A Mansion or No House," and it was in response to the very issues that we are talking about now. In 1976 the issues were no different in terms of land supply, availability, costs of development, prices et cetera. That book was prepared by three authors: Dr John Paterson, who subsequently became a very prominent public servant. In 1976 he was an urban economist, very prominent in the industry. Graeme Gunn, leading architect and development adviser and a gentleman, David Yencken, who subsequently became Prof David Yencken, and in between was merchant builder and head of the department, Ministry of Planning, and a number of other titles that he'd had in the Cain Labor government period. Those three gentlemen, well experienced in the industry, put together that book for UDIA, and it is still current today, not just in its cartoons but in its words. The titles have changed of the issues that they dealt with, but the purpose and the whole thrust of it is still current. They're still the same issues.

MR BANKS: I have to confess that that was a bit of a Dorothy Dix because you did kindly give me a copy of that book, which I found very interesting. It does, however, illustrate that some 30 years later the issues are pretty much the same, which was one of the points in our report, that you do get cyclical activity; you get periodic concerns about affordability, and one of the issues for us has been to determine whether there's something special going on in the more recent period, which we've been trying to grapple with. So thank you for that. Let's then just go through in order, and I'll just check with my colleagues as to whether they have any more questions. I had none on the first three points, or four points, actually. No? The fifth one: has taxation played a role?

DR SHANN: I suppose the only question would be with the land tax. Land tax is usually seen as a holding tax, if you like, so encouraging people to make better use of the land, in which case why wouldn't you apply it to land which is being held for development?

MR UNDERWOOD: Dr Shann, the description we would apply to land tax is that it's a wealth tax, and government does very little to earn land tax. It simply levies a rate on the value of land, and for the development industry particularly it strikes at

the stock in trade. The land development industry must hold stock, be it developed land or broadacre parcels, broad hectare parcels. Land tax is levied in Victoria on an aggregate basis that has the highest marginal rate across Australia. You don't have to hold much land to strike 5 per cent annual tax as at 31 December. It's a cost impost. It adds to the development cost annually of a block of land. If in a broadacre situation a developer has a parcel that will take 10 years to develop, then he's paying tax annually on the block that is eventually sold off as residential estates.

We would say there's some paradox in that because land tax is not levied on the principal place of residence and yet it is levied on a block of land that becomes the site of a principal place of residence, and all along the holding pattern land tax is payable. We say it's the only industry that has a tax payable on its stock in trade. Some states have addressed this issue. Western Australia for example has a land tax system that does not tax the improved value added by the developer. They will tax at an englobo rate, regardless of the improvements that the developer has made, and the value added that the developer has put to it. That helps offset the holding costs to a degree.

In Victoria last year, in the year 2003, according to the state revenue office figures, \$655 million from land tax; in 1999-2000, my recollection is that the figure was somewhere around \$420 million, so in a very short time we've jumped substantially in the take by state government through land tax, and most of that comes from the development industry, be it the CBD payers or, in a large way, our members, the land developers. We see there are better ways of distributing the funds, reducing the cost of development and thus potentially the price of a block of land.

DR SHANN: You mentioned WA does have some tax. What's the position in the other states?

MR UNDERWOOD: I believe that they tax like Victoria.

DR SHANN: Yes.

MR BANKS: We've had some participants arguing that there are oligopoly dimensions to the land development industry and therefore something like a land tax would be perhaps more likely to raise the costs of holding land strategically in the hope of getting a higher profit. Could I ask you to respond to that.

MR McNEILL: I would regard the land development industry as far from an oligopoly. You could possibly suggest that there's restricted competition in certain growth areas, but that, as we've argued, would be largely avoided through formal declaration of growth corridors beyond the urban growth boundary to encourage

more competition into those areas, but on the primary question the land development industry in Victoria is characterised by a very large number of players. There is no specific player, I would not think, that would take more than - did we calculate 6 to 7 per cent of the market?

MR UNDERWOOD: Other than big urban.

MR McNEILL: Other than big urban - of private industry in the industry, private players within the industry - there's a large number of them and we calculate that none would take a greater share than say 5 per cent of the market, so in that respect and in comparison to most other industries, I would think it's a highly competitive industry.

MR BANKS: You talked about the impact of the urban growth boundary on prices. Is this one of the problems with an urban growth boundary, that it can potentially exacerbate any monopoly tendencies in terms of land-holdings?

MR McNEILL: Clearly it can in certain areas. In a certain area, if your undeveloped land is held by, for argument's sake, two parties, then clearly you could have an uncompetitive situation in that specific area, and that's clearly a consequence of creating a boundary.

MR UNDERWOOD: May I add, Mr Chairman and commissioners, that there is also a different approach between a private company and a public company. What we're finding among the membership is that private developers can make their own decisions about where they invest or when they invest, and they will resist getting into a bidding competition where they see the price of land beyond a reasonable return. Public companies have a different impetus. Public companies are forced by the structure of public companies and shareholders and the need for returns et cetera to secure their future in a different way. They must protect themselves and take land wherever they can, whenever they can.

We would suggest that from anecdotal evidence, some of the prices that are being paid in our growth areas are in fact being driven by public companies having to secure their futures beyond the parcels that they've now got. It's not just public companies but private companies who also want to stay in the business must also get in and compete and try and buy land. They might buy smaller parcels than the public companies might, but there is a real competition between the two forms of companies that fight for scarce land in the growth areas when the land is limited by an urban growth boundary.

MR McNEILL: The background of that of course being that a public company's risk profile is somewhat different to that of a private developer. A public company

will be far more reluctant to speculate, if you like, on the likelihood of amendments to the urban growth boundary taking any future parcels of land beyond the current boundary. With a far lower risk profile they will seek assurance almost each and every time within the urban growth boundary which creates - well, fuels the price rises.

MR UNDERWOOD: And they are more likely to buy zoned land, Mr Chairman, than unzoned land.

DR SHANN: We've had a number of submissions which are suggesting there should be a greater role for state-owned land companies. I noticed in your original submission you said you had reservations about the role of VicUrban. I was just wondering if you could elaborate a little about your view of is there a role for such companies. For example, some people see a role, particularly in helping in consolidation of development plots in developed areas. What general comments do you have about their potential?

MR UNDERWOOD: VicUrban is the amalgamation of the Docklands Authority and the former Urban and Regional Land Corporation. The Docklands Authority had its responsibility for a particular area of Melbourne and the URLC, the Urban Regional Land Corporation, had its principal role in greenfield land development. If I can concentrate on that latter aspect, the legislation that put the two together gives VicUrban three functions. One is as a continuing authority at the Docklands. Two is with the opportunity to continue as greenfield developers; and the third is as a facilitation arm with powers to go in and acquire properties, solve problems and then put them to the market.

The legislation specifically excludes VicUrban being the developer where they act as that third leg. Where they become the facilitator, they cannot be the developer. They must put the property to the market. We endorse that, thirdly. We say that's an appropriate way for VicUrban to act. What they would do in that circumstance is become the problem solver, aggregate land where there might be disparate holdings, overcome planning issues where they might be long and tedious and put a package to the market that has a substantial reduction in risk. They have done that as Urban and Regional Land Corporation before, but they have also continued to be the developer in some of those areas.

We would say that there's a role for the facilitator but not the developer. In respect of their greenfield activities, there is a view that what VicUrban does is no different to any other land developer. There are some notable exceptions but generally the record shows that since the URLC was implemented under the Whitlam government, in different names and different specific forms, its role in greenfield areas has been substantially the same as any other development. It would tell you

that it has acted counter-cyclically; that it has led to some housing forms; various titles of development concepts that it has pioneered; and it is doing some good work in that respect at an estate called Aurora at Epping, where it is pacesetting in some of its concepts and problem-solvings with various agencies.

We would applaud that but, in respect of other locations where the URLC is no more than a land developer, we would say then, "Why?" It's a corporatised government entity. It's not its core business and the land development industry has a record of being able to achieve the same as it. So we would suggest that VicUrban's role would continue to be Docklands where it is successful and particularly be a facilitator as per the third leg of its legislation.

MR BANKS: In relation to its development role, to the extent that that involved bringing land - well, a question. I guess there's a perception that that would involve perhaps bringing land onto the market more quickly than it might otherwise occur, or at a lower price.

MR UNDERWOOD: The first part first. If they're able to bring land onto the market quicker than a private developer, then the question becomes "How?" If they are experiencing the same planning processes as any other development industry player - there might be a different zoning or a different planning control that applies to the land, but I would doubt that. They should not be getting the free runs that will enable them to bring the land on quicker in a planning circumstance. In the latter, of pricing, again the record shows that in various iterations VicUrban has said that it was acting counter-cyclically and the Democrats approach of keeping the bastards honest by moderating price increases was a role that they said they were playing in the 80s, but I don't think there's any proof of the benefit of that.

MR BANKS: Okay, good, thank you. Perhaps that gets us onto the next section there, responding to our chapter on supply. Perhaps I could just get you to talk a little bit about the impact of the urban growth boundary. As you know, the Victorian government put in a submission which talked about - and, indeed, consistently with your earlier submission - that there was 15 years of available land open for development within the boundary and therefore there was no supply side reason for the price escalation that we have observed in Melbourne. I might just get you to try to reconcile your own position with that point.

MR UNDERWOOD: Melbourne 2030 is a 30-year planning horizon for Melbourne. Underneath it there is a 15-year land supply program; a program that will be assessed and guided by what is called the Urban Development Program within the Department of Sustainability and the Environment. That program, fashioned on the Sydney land release system but improved, thankfully, involves industry in presentations to the forums that the department runs about what is

happening in the industry where information is provided to the department about what is happening first-hand on the ground in respect of development, supply, issues that might be problems and pricings.

We have had one report from the Urban Development Program. That informed the government about the true extent of land supply, as at September last year. The report influenced the government changes to the urban growth boundary that were announced in December. To us, that's the true purpose of the UDP process and the reports: to inform government about the true state of play so that they can make informed decisions. Through the process, we learned that there was not 15 years' land supply in certain parts of Melbourne, as the 2030 document itself had suggested.

15 years is our industry approach to it and the UDIA's policy; underneath that, other periods of developable land and available land. We are confident in the process of the UDP we would go beyond that, however, in the 15-year program and say, "If we have a 30-year strategy, where is the land for beyond that 15-year period, beyond 2017?" That's why we're saying we need corridors to identify future growth directions for Melbourne beyond the 15-year program period. We say that we have growth areas now, controlled and constrained by an urban growth boundary, to be considered annually and shifted annually, we say, if one is to maintain 15 years' supply. You would need to go further and say quite where the further development will be beyond the 2017 year horizon.

MR BANKS: Would this still be true if the density of Melbourne began to become similar to Sydney, where I think more than half of new development is high density? I think it's 60 per cent or something in Sydney, whereas it's much lower in Melbourne. I mean, is it feasible for Melbourne to be moving in the direction of Sydney and would this resolve some of the problem of what happens after 15 years, to the extent that the inner area can soak up some of that demand?

MR UNDERWOOD: Thankfully, Melbourne is not Sydney, and I don't mean that flippantly but we don't have the same geographical limitations that Sydney does. We don't have the same reasons to increase our inner area densities like Sydney does. We have had urban consolidation policies in Victoria since the Cain government of the 1980s. 1986 was the first urban consolidation policies, deliberately as a government strategy. That was 20 years after the peak of 1966 when in Melbourne alone we built something of the order of 13,600 flats that have been pejoratively called the "St Kilda six-packs" all over town. They at least put roofs over heads and provided housing for people at a time when it was in demand.

We have had urban consolidation approaches for a long time. 2030 accelerates the look at higher density development. It seeks to establish 70 per cent of all of Melbourne's development over the period of the strategy into inner areas and

established areas. We say that's super-optimistic. Melbourne's record is for single detached dwellings in numbers beyond Sydney. It's a cultural change to take people from the single detached dwelling preference and to seek to put them into inner areas and high-density locations. It's happening. We have got something of the order of 30 per cent of our housing now, we say, as against the department's figures in the 2030 report of 58 per cent, but we need the diversity and we're getting the diversity without the compulsion the 2030 suggests ought to exist.

We say that by far and away the preference for Melburnians will be for a single detached house on its own plot of land, no matter what size the house or what size the plot, but we will continue to want single detached dwellings. Demographically, there will be a demand for smaller houses, inner area living. Apartment numbers and unit numbers in the Melbourne CBD - the city of Melbourne and the CBD in the last 10 years - show that it's a desirable form of housing, but it's cyclical and it's to a certain demographic and it is a low percentage of the market, as distinct from the great majority of Melburnians who want to live in their single detached dwellings.

DR ROBERTSON: Could I ask a question there. One of the points you make somewhere is that the approval of high-rise is down in Melbourne. Is that down because the applications are down or just because they're holding things up and, you know, what kind of approval is it going to need to move towards those figures for 2015?

MR McNEILL: They're down significantly at the moment and these figures we have taken from approvals, of course, and approvals don't always become construction. In fact, with a certain level of pre-sales required on a high-rise apartment development, in many cases the approval doesn't move towards construction. They're down around about 50 per cent from last year and that, as Geoff suggested, is largely cyclical. There has been a perceived glut for some period of time now in high-rise apartments, particularly in and around the city area. Whether that's borne out over time remains to be seen but that's certainly the perception and that's certainly how the market is responding at the moment.

Melbourne 2030, the original version, forecast a demand of 620,000 dwellings over the 30-year period that takes us through to Melbourne 2030. Pending a revision of the 2001 census, the number of dwellings now forecast hovers somewhere, I believe, between 650 and 680 thousand dwellings required through to 2030. If you look at the aspirational targets of 2030, that would require somewhere in the vicinity of 450,000 of those dwellings to be constructed in inner or established areas, and the remaining 220, 230 thousand in broad hectare developments on the urban fringe. To put that in perspective, of that 450,000 required in inner and established areas, it's a reasonable assumption to make that given the level of demolition of detached dwellings required to support that sort of consolidation, it would be a reasonable

assumption to make that nearly the entire 450,000 will take the form of medium or high-density development.

In the preceding 150-odd years of Melbourne's development we've managed to construct 300,000 of those type of dwellings, so in the next 30 years we're looking at another 450,000 if the aspirational targets of Melbourne 2030 are to be achieved. As we've noted in our original submission, those sorts of aspirational targets are to be achieved against a backdrop of increasingly politicised opposition to that very type of housing. That, in our view, indicates some of the doubts over the achievability of those sorts of targets.

MR UNDERWOOD: Sorry to be Melbourne-specific in the location that I'll talk about but I think it's symptomatic of Brisbane and Sydney, and will be so in other locations, but Doncaster Hill is a prime 52 hectares of land in the City of Manningham, Melbourne's inner eastern suburbs, located in an area which has been a good-quality residential location developed late 60s. Demographically the community is now aging. The empty-nesters have enjoyed a good community that's grown over the years. They've taken the appreciation in values that have happened and they're not looking to change their lifestyles.

The municipality has responded by doing some very good strategic planning work to say that they'll welcome high-rise development on Doncaster Hill. It's an area, it's not just one hill, but there are already three what I'll call medium-rise developments there that have been taken up by the market over time. They themselves took years to get off the ground but they're now developed and occupied. The council is trying to promote more high-density development and has in fact issued permits, but not one of them has yet come on-stream and, as we understand it, not one of them is planned to begin soon; not in the near future. The reason for that is they're not viable. Approvals are being given but the projects themselves are unviable.

DR ROBERTSON: So you can't actually get much of an indication from the approvals figures at all?

MR UNDERWOOD: No, correct.

MR BANKS: Why are they not viable?

MR UNDERWOOD: One of our industry leaders will tell you that it costs the same to build in Docklands as it does at Ringwood or Doncaster Hill. If it costs X at Docklands, it will cost X in those other locations, but you will not get Y for those units in those other locations. They just become unviable projects.

DR SHANN: I had trouble understanding the graph you've got on page 5. I wonder if you could just try and explain it.

MR McNEILL: This is the graph that's lifted directly from the Urban Development Program.

MR UNDERWOOD: It might, Mr Commissioner, be better if we gave you an original with colours.

MR McNEILL: With colours, yes, that might help.

DR SHANN: Yes, it would.

MR McNEILL: Yes, looking at the photocopy, I have every sympathy with your failure to understand the graph.

DR SHANN: Perhaps I can come back later and pursue that.

MR BANKS: That's right, we'll get the coloured one and it will be fine. While we're on supply, I was going to go back to your first submission, which I found very helpful in this area. You break down the 12 to 15 years of available land - which you said is for development, which you saw as a goal - into the components of that, which no-one else had really done. I was going to ask you about the last part of that where you talk about:

An industry stock of 18 months to two years of completed stock housing lots on hand at a given point in time is generally considered to be level and avoids the possibility of hot spots and so on.

I just wanted to ask you about that; whether that would be seen as an industry standard or whether the holding costs of that may make that a bit ambitious. It seemed like a fairly long or large amount of stock to have on hand.

MR UNDERWOOD: We've put some period ranges in there: 12 to 18 months, five years, et cetera. There will be tolerances and we'll never be precise at one day, and neither should we be, but the purpose of that is to say there should be sufficient lots sitting out there available for purchasers today, free from artificial supply influences. There must be enough land, whether in established suburbs or greenfield locations, developing areas, that a buyer can go and consider and have a range and choice of locations. Nobody knows how many blocks of land sit in Melbourne today that would be available to be built on tomorrow - nobody. Over the years we've had attempts at counting them, and we've done that but we haven't had a count within 20 years. The Urban Development Program is looking to address that and actually to

count the number of vacant blocks in Melbourne as at a point in time.

What is 12 months' supply in terms of gross numbers? The answer is somewhere in the order of 40,000; 18 months - 60,000. Last time we counted, we had something like 72,000 lots sitting there. What we say is that, whatever the number, you must have sufficient to enable free choice.

MR BANKS: I think I understand that now, thank you. The other question is the Better Decisions Faster comment that you made, and I just ask you perhaps to elaborate on that a little bit and indeed, if you see it only as a first step or a number of steps or number of steps, where you think it's most deficient and where the next step should be.

MR UNDERWOOD: There were 34 recommendations in Better Decisions Faster. On the day that the minister for planning, Minister Delahunty, released it, she immediately announced that the one that proposed charging for objections was not going to be adopted by government, so there were 33 recommendations left alive. Of those 33, as we say, the vast majority go to dealing with applications and improving applications so that the process has the better chance of dealing with them quickly.

Dealing with applications is just one part of the planning process. You've got to get your application right but then you get into the approval system, which - by submissions to you and as recorded - can be a long and cumbersome process. If I were advising a developer today about making a permit application, I would tell that developer that he could face 12 months before he got a permit at the end; to say nothing of appeals. That's a long time to run a project which is either a speculative development or a particular development. It can be 12 months for a house project. One shakes one's head and says, "Why?" but it's in the same planning process as a more complex multistorey building in the CBD. Perversely, the CBD building will get through the process quicker than a single detached house in an inner east Melbourne suburb that's got heritage controls on it.

Better Decisions Faster I say is part of our continuous improvement process of our planning system and in that respect it's to be applauded, but it looks at one element of our planning system. There is work happening on the other elements but this is just one. I would say to you, sir, that the planning department will say that it's just one part that they're addressing and there is work going on in other respects elsewhere, looking at those other parts. But this is important - please, don't let us think that we are understating it to you - but it's just one step.

MR BANKS: When you talk about recommendations, was I under a misapprehension in thinking that they were sort of broad directions that were put out there for public consultation, rather than firm recommendations. One had been

pre-emptively taken off the table but - - -

MR UNDERWOOD: There is in fact a mix of recommendations and suggestions. There are 10 principles that they've dealt with that one then takes to look at the system. This document is still under consideration. No decision has been made and there's been no further discussion of this.

DR SHANN: Can I ask you about the development forum and what your view is of the work that that's been undertaking.

MR UNDERWOOD: UDIA fully supports the Urban Development Program for what it is - development approvals program.

DR SHANN: No, the Development Assessment Forum.

MR UNDERWOOD: Sorry, Development Assessment Forum - my apologies, I misunderstood. The Development Assessment Forum began as a response to industry comments out of the Bell Report to the Howard government - the Red Tape committee, as it was called. It began to focus on trying to achieve a national planning system. Anybody who had been involved in trying to get the national building regulations in place - the Building Code of Australia, as it was - and had been through that 20-odd-year gestation like I had, shook their head and thought it was quixotic.

DAF has now moved to be what they call a harmonisation process, trying to take the best of the state systems and highlight them in what I call best practice examples, so that we can learn what's good in one state and seek to apply it in another as necessary to that other state. DAF suffers from the fact that it's poorly serviced by the federal government and the states address it and deal with it as they think they must, according to the issue. It has a higher place in things than it currently holds, and UDIA like HIA and Property Council all support DAF by being members of it and contributing seriously to its considerations.

We'll never achieve a standard planning system. I note one of the questions that you asked me to comment on is the prospect of a national strategic planning approach, to which I say don't bother. The states will do their own thing. They're autonomous, they'll work for themselves and they'll think their own systems are different and ought to be addressed differently. But what is important is to be able to highlight best practice. If one state or municipality can have a planning process that gets an application through in a matter of days, then other local governments across Australia should look and say, "What are the issues we can take out of it?" If DAF presents that information cohesively and in an informative and educational sense, then terrific.

MR BANKS: Thank you. The section 7 on infrastructure charges, you note - and I quote from your submission - that the primary driver of house prices has been a scarcity value attached to land, and then you go on to say that:

While that's true, the introduction and growth of infrastructure charges has played a part and governments must be made aware that the full extent of such charges is passed on to the home buyer.

The challenge for us, certainly in preparing a discussion draft in the time we had available, was to get a sense of what the growth had been over time and how significant. We got some bits of information on that. I think we've actually approached you to see whether we could get more information based on the work that ACIL did on that, but any help you could give us on what's happened to infrastructure charges over time in terms of the growth or share of total costs would be quite useful. I don't know whether you care to comment on what has happened there in terms of the growth of infrastructure charges?

MR UNDERWOOD: Thankfully, UDIA has been part of Victoria's consideration of development of infrastructure charges since 1994 - earlier than that even - and I regret to say that I myself have been part of that, including into a recent study into developer charges. We've just completed a three-year piece of work last year. The government has not yet implemented the recommendations and its decisions on that work but, in simple terms, we will have what I'll call "developer charges". They will be based upon need, equity, accountability and nexus - four principles that have been long held in Victoria as the drivers of infrastructure charging.

They came from a decision out of our appeal process some time ago. They're consistent with the New South Wales Simpson inquiry approaches that are now about 10 years old. Bill Simpson was the chief land commissioner and made these inquiries. Industry accepts that it must pay a proportion of development charges, but not 100 per cent for things that they aren't 100 per cent responsible for. A fair share is what people will pay. Bear in mind, as we constantly say, it's not the developer who pays. It's the purchaser. The costs of development include all the things that are the infrastructure that one puts into the ground, whether it's a reticulated system, roads or other services - social services or physical services - that go to make up an estate. They all become a cost of development which are paid for by the purchaser.

It is uncommon for developer levies to be passed back, especially in an up-market - because the farmer vendor will take whatever price he can. It's only in a time of low activity that the price can be passed back; in fact history will tell us that in Melbourne in the early 90s land had a negative value because of the development costs versus the purchase costs. What we now find is that under our legislation there

is a particular regime by which councils can take developer charges. We support that regime and we support the findings of the review of that, which are continuing improvements of it, but we resist the circumstance - which is commonplace today - municipalities are actually negotiating - screwing developers on levies in a time when industry activity is high; where people want permits, and the councils are negotiating to achieve outcomes they want rather than outcomes that are based upon need, equity, accountability and nexus.

MR BANKS: What's your understanding about the current situation in relation to social infrastructure? Previously it had a \$450 limit, or ceiling, on how much could be charged as a developer charge. I think out of that review there were some recommendations but, I must admit, I have had conflicting advice as to what actually the current situation is.

MR UNDERWOOD: The government's intention is to legislate to remove that cap. The government has agreed that the cost of providing social infrastructure can be more than \$450 and that the municipality, or the home buyer, should not pay it either by municipal rates or by down-the-stream payments. The social infrastructure requirement now is payable by the home owner at the time of taking out a building approval. We say that's appropriate because that's when the demand is created, but submissions have been accepted by government that services ought to be in place at an earlier stage than they currently are.

They're now supplied when a critical mass allows it to be supplied. Government is saying, "We want social services in before the residents get there in great numbers. If that's the decision then we would say that the standard needs to be kept in check; that you shouldn't be gold-plating and you've got to be careful that the 450 doesn't become some other exorbitant figure. The empirical evidence suggests that 450 is not far off the mark, but we agree that these days it's unfair to have a legislative cap when the true cost might be otherwise. It's a little economic rationalisation formula. We'd prefer to address the demand requirement and say what level of services should be provided for the community, but bear in mind that it is the home owner who pays it at an up-front stage.

MR BANKS: Okay. Perhaps move on to section 8, relating to industry performance and building regulations.

DR SHANN: You've quoted a couple of numbers for the higher cost of construction. Can you provide the sources for those estimates? I notice in your original sub you had a recommendation to clarify the commercial classification. Could you just elaborate a little on what you meant by that?

MR McNEILL: The figures quoted between 20 and 30 per cent higher than

Sydney are figures that are generally advised from industry sources and regularly quoted in the media.

DR SHANN: Is it Grollo? Grollo gave a speech. Is that the source of those numbers? Could you just elaborate a little on what you meant by that?

MR McNEILL: No.

DR SHANN: It's not that? Could you just elaborate a little on what you meant by that?

MR McNEILL: No. We're more than willing to document or try and provide further documentation in support of those figures and we'll provide the commission with those in due course.

DR SHANN: What about the 40 per cent figure? One figure is 20 to 30 per cent higher than Sydney and the other is 40 per cent once a site has been classified as commercial. Could you just elaborate a little on what you meant by that?

MR McNEILL: The 40 per cent comes directly from several of our members.

DR SHANN: So you would provide documentation to support both of those? Could you just elaborate a little on what you meant by that?

MR McNEILL: We can, yes.

MR UNDERWOOD: The 40 per cent, Mr Shann, is said to be a consequence of unionisation - medium-density vertical developments - things that get above four storeys versus the cottage industry style of the single detached dwelling industry.

MR BANKS: To what extent is it the fact that - the nature of the structure as opposed to say the work arrangements associated with it?

MR UNDERWOOD: One of our members quoted us examples of a similar project in the eastern suburbs of Melbourne, eight kilometres apart - the same sort of market segmentation - where one apartment block that was only four storeys; was part of a medium-density development; was built by union labour, and they got away with the other one under cottage construction, and they talked about a 40 per cent saving.

MR BANKS: On the same structure?

MR UNDERWOOD: Exactly the same building.

DR SHANN: So in your original submission you were saying that you wanted to clarify the commercial classification. This is on page 17.

MR UNDERWOOD: There is work going on elsewhere as part of the 2030 process where these impacts are being talked about. As a member of the Melbourne 2030 implementation reference group, I can tell you that one of my colleague members, who is one of our industry leaders, who is experienced in these sorts of things - in fact, the gentleman responsible for Australand's unit developments in Melbourne is constantly saying that we need to address this issue and, at two meetings last week, it was agreed that we would, as part of that reference group, look at unionisation in Melbourne versus other locations. The Trades Hall Council are also members of the reference group, so it's not as if we're talking something that they don't know.

DR SHANN: Is this to effectively change the classification so it applies say not to four storeys, but to a different - - -

MR UNDERWOOD: It would, yes.

MR BANKS: Were six-packs built under cottage-type arrangements?

MR UNDERWOOD: Yes. Could you just elaborate a little on what you meant by that?

MR McNEILL: Suffice to say it impacts on the commercial viability of developments, many of which are supposedly the type of development that will underpin the success or otherwise of Melbourne 2030.

MR BANKS: I only have one other question and it's in relation to one of your recommendations about clarifying the Commonwealth's responsibilities in the provision of public housing through the Commonwealth-State Housing Agreement. I believe that next the ACTU, as part of its submission, will be talking a lot about public housing. I thought I would just get you to clarify what you mean there. It's on page 9, the second dot down. This may be something you elaborated on more in your first submission, which I didn't go back to on that particular recommendation.

MR UNDERWOOD: The provision of funds under the Commonwealth-State Housing Agreement has always been a political football. The states will argue that they never receive enough to meet the housing requirements that they have. Victoria has in fact had a proud history of the supply of welfare housing through its housing commissions and other bodies over time, but the spending on new construction and new purchases is now at a limit that people are saying is insufficient to cater for the waiting list of people wanting welfare housing. That has caused governments around

the nation - state governments - to look at how they provide their housing.

There have been many concepts put forward to engage private industry in the supply of that housing to save the state budgets and examination of one concept called "affordable housing", which has different iterations in the states. In Melbourne its prospect is that developers will be asked to provide affordable housing as a component part of medium-density units, probably by way of bonuses in the approvals. They're going to win one project; instead of having say X number of units, they'll have X-plus on the premise that those plus numbers of units are put across to affordable housing.

Quite how that will transpose is yet to be known, but that's what is being talked about. There's planning contrariness in that because if the development is satisfactory at X units Z storeys why is it suddenly more acceptable in planning terms at X-plus and Z-plus storeys? We have an issue in terms of equity and all of that, but it is a way of looking to provide welfare housing where the Commonwealth-State Housing Agreement is backing away from responsibilities. What we're saying is that if the federal government doesn't want to be involved then make it clear, but let's look at other ways of providing roofs over head for those who are the needy people who deserve it.

MR BANKS: Okay.

MR UNDERWOOD: I mean, we are not putting a proposition in any way other than to say - - -

MR BANKS: We seek clarification.

MR UNDERWOOD: "Well, let's be serious about Commonwealth-state housing agreements if they're going to continue or, if they're not, say so and we'll find other ways of providing shelter."

MR BANKS: Okay. Thank you very much. I found that very useful indeed and, as indicated, I think there may be some issues where we have made separate approaches to you for more information and, if anything crops up again, I hope you will allow us to do that.

MR UNDERWOOD: Thank you, Mr Chairman and commissioners. We will be happy to assist.

MR BANKS: Thank you. We'll break now for a few minutes, please, before our next participants.

MR BANKS: Our next participant this morning is the Australian Council of Trade Unions. Welcome to the hearings. Can I ask you, please, to give your names and positions?

MS BURROW: Sharan Burrow, ACTU president.

MR BELCHAMBER: Grant Belchamber, senior research officer.

MS HRISTODOULIDIS: Donna Hristodoulidis, research officer.

MR BANKS: Thank you for attending today. We've had a brief indication of some of the issues that you want to raise. We also had, in the form of a letter from Greg Combet, an earlier contribution to the process for which we are grateful. So I hand over to you.

MS BURROW: Thank you, Gary, and thanks to all of you for the draft report. We want to talk about some specific issues for working families. Before I get to that, Grant and Donna will deal, in large part, with the detail for you. As I have indicated, I'm going to steal away and try and get my head around the pros and cons of the US Free Trade Agreement.

The critical issue for the Australian unions is that working families, particularly young working families, are now telling us that they are giving up; that the dream of owning your own home - something that for generations we've all shared - is becoming just that: a dream that they are putting on the shelf. When you think about why that is, it's not surprising. If you look at just over a five-year period, the average median house price has gone up by 70 per cent, whereas wages have only gone up by, on average, 6 per cent, then the rise in housing prices has more than doubled the rate of increases in wages.

If you add to that, for particularly this young generation leaving university, establishing themselves in work, the fact that they are already carrying a HECS debt, they are the first generation of Australians, if you like, to carry a debt before they actually start work. Given that for one person in a household that's significant, for two people in a household it can be up to \$50,000 or more that they are required to pay off over a period of time.

Now, it's not too many decades ago when 50,000 would have been a small but nevertheless significant mortgage. So that's the scale of burden that we have placed on these young Australians. For us they are an incredible set of statistics to actually promote our own policy position around because we don't want to see a wages explosion. But if the average cost of wages, at 26 per cent, and the struggle to get minimum wages for us is so difficult, then what can we do?

We recognise that your draft report has recommended a number of measures, including means testing the First Home Owner Grant, and we support that, but we would urge you to go way beyond the recommendations in the draft report and consider a range of things to do with public housing, with private capital and with, in fact, a consistent tax regime. So in summary I would simply say to you that if you start with public housing, it's a fairly devastating story to see that some \$500 million is being spent on public housing each year, less than was spent a decade ago.

That, as you would well know, simply means that the pressure on the availability of low-cost housing makes this situation even worse. If you add to that the fact that the First Home Owner Grant, whilst an initiative that we all support, has helped to push up the cost of housing and to fuel the boom that is good for those in the market already, or for investors, it is also a prohibitive pace in terms of access to the market for younger families.

We would like to see you really look at the public housing issue, look at some of the creative schemes that are in place around the world, and see where we can do two things: where you can make recommendations that government picks up the investment mantle again, that they can look at appropriate private capital or investment vehicles that might actually support increasing the stock of public housing, but also going to questions of expanding low-cost housing provision.

We believe that generations have benefited from the capacity to transfer public housing into home ownership over time and that that order be looked at again, where people can get in, show that they have an established payment capacity and then seek to pay off public housing in order to transfer it to private ownership. More broadly, we actually think that there is a lot of interest, particularly from superannuation funds; the industry funds that we share a passionate interest in, given that they have been built by workers' capital. We want to see ways of encouraging those and other investment vehicles into that arena of public housing/low-cost housing provision.

I suppose, finally, the question of a consistent tax regime: we are not putting any definitive script around this but we all know that the capital gains tax environment and the negative gearing provisions favour the high-income earners or those investors who can take advantage of that. We want to see a more consistent environment where the bias is actually spread, if you like. Whether it's new incentives, whether it's tinkering with the current ones, whatever the outcome is, we would like to see a consistent tax regime that is not just geared to those who have been lucky enough to make it into the market but indeed is able to make it easier for people to be in.

There are lots of other creative ideas around. We don't pretend, despite the

expertise of my colleague sitting next to me, that this is an area where we hold resident expertise ahead of any other. What we know, though, is that in terms of our core business, which is the capacity for working families to make ends meet, then wages are not keeping up. If that's the case then what are the other bits of public policy and investment incentive mix that we can ask you to put together in order to turn around what we think is quite frightening?

I would finally say, and I'm sure you would agree, that Australia will be a poorer nation if we can't actually extend to this generation of young families the capacity to actually own their own home. It would be poor in terms of an asset and equity base that's spread across the income bracket but it will also just be poor in terms of the sorts of more general egalitarian notions that Australians, I think, still continue to hold dear despite the increasing prohibition in terms of aspiring and attaining them.

MR BANKS: Thank you. You have covered a range of issues, which I think we will go into in a bit more detail. It might be better to hand over to you now to do that.

MR BELCHAMBER: Perhaps we might just hand up a couple of tables here. We will have a submission to you by the 13th, as requested in the discussion draft. That is, this Friday. We will include in that any references and material that we speak to today. If I can deal with the three issues in turn: public housing, alternative vehicles and tax.

As we read the terms of reference, point (f) specifically and explicitly refers to this commission and this inquiry having regarded the total operation of the housing market with specific reference to the availability of a range of public and private housing types, demand for housing and the efficiency. The draft discussion paper that you provided covers a whole range of issues. The major omission in its treatment is any substantive work at all on public housing.

When we look at page 8 of the discussion draft, in explaining how the commission is going to have a focus on priority issues in the limited time available for the inquiry and the limited resources available to the commission, the commission has focused its attention on drivers in house prices and policy initiatives likely to deliver significantly better outcomes for prospective first home buyers in a wider community over time.

Reflecting this, and referring to the issues paper, you say the commission has not been in a position to examine more broadly based forms of assistance such as public housing and Commonwealth rental assistance. Well, public housing in particular: it seems to us that any inquiry that's looking at first home ownership, that

ignores public housing, is seriously deficient. There is a reference here to the issues paper. You say that you signal this in the issues paper, but when we look at the issues paper on page 3, it says:

In relation to more broadly based forms of housing assistance, such as public housing and Commonwealth rental assistance, both large and important topics in their own right, the commission's major focus will be on the implications for prospective home buyers.

That's what the issues paper said, and there seems to be scant discussion at all in this discussion draft about public housing. Now, in the housing market the issue - as in any market - of affordability has to do with budget constraints and has to do with supply and demand. There is a lot of discussion in here about the demand side influences and a bit on regulatory dimensions of supply side, but going direct to the provision of housing stock.

Adding to the housing stock at the bottom end of the housing market is something that this inquiry hasn't looked at, where there have been huge changes over the past 10 years, where there has been a substantial historic role for state housing authorities, and the Commonwealth-State Housing Agreement, for 50 or 60 years. Yet in this discussion draft the Industry Commission's own public housing inquiry is not even cited in the references in the back of this. We are at something of a loss to understand how, with public housing specifically fingered in the terms of reference, the commission in this inquiry can close its eyes and ears and mind to the issue of public housing in the way that it appears to have done.

We have the hand-up, and if I can go firstly to the second page, just to illustrate the direct effect of public housing on the market, these are figures downloaded from the South Australian Housing Trust web site, from a document that's actually called Trust in Focus - it is available on their web site - and some tables up the back of that document. It just shows the activity of the South Australian Housing Trust in construction and disposals of its housing stock.

If you have a look at the last 10 or 15 years, the activity of the South Australian Housing Trust, in the construction of new dwellings, has just plummeted. These are just raw numbers. They are not expressed as a proportion of the housing stock, but the picture would be even more stark if that were done. Of course you can see over the same period - particularly over the last decade or so - for the first time the disposal of housing stock by the Housing Trust has risen and exceeded its addition to stock and public housing over that time.

How is that to be accounted for? If you have a look at the Commonwealth-State Housing Agreement funding, at figure 2 - I'm sorry to go

backwards here in this handout - it's the first column of table 2 that sets out the actual Commonwealth-State Housing Agreement funding. There is a decline in nominal terms and if we deflate that we get a significant reduction in the funding that's available for public housing stock. I might say that none of these figures - this perspective is not novel or unique or hard to find. There's quite a bit out there in the public domain about these issues.

These issues have been put to this commission in other submissions, from the construction unions in particular. We say that in terms of first home ownership, the capacity for young families to purchase their own dwelling - their capacity to do it, the affordability and accessibility issues - cannot properly be understood or appreciated without having regard to these broad trends.

The first figure here on this hand-up sets out some of those figures that Sharan referred to previously about the movement in Australian median house prices and full-time, ordinary time earnings. It shows really that the capacity - these are for ordinary time earnings, full-time adults. Two-thirds of full-time adult employees earn less than average ordinary time earnings. It's our submission that really just having regard to the efficiency of the housing market sheds little light at all on the distributional issue that is at the core of this inquiry about first home ownership. It really is a distributional issue. It's at the bottom end of the housing market and the bottom end of the income range earned and transfer income that home ownership is a real issue and a disappearing dream for Australians.

The role of public housing in industrial development and in achieving social outcomes in Australia - these are referred to in the commission's work. There was a terrific piece by David Hayward published a few years ago - *The Reluctant Landlords? A History of Public Housing in Australia* - where he refers to the role of public housing and public housing trusts in this country. It refers, in particular, to the South Australian Housing Trust and some of the other trusts about home ownership schemes targeting a range of housing types, providing housing for purchase for first home owners and for rent, and always having a dimension of its program that sought to transfer the tenure for renters into home ownership and that:

This function emerged from a belief that the state had a crucial role to play -

and I'm quoting here from his paper -

in promoting industrial development, with the South Australian Housing Trust playing the role of a large residential and commercial developer whose scale of operations would keep a lid on housing costs and, therefore, on wages.

Arguably, the evidence is that that's what the trust did in South Australia over 50 years. That's the first issue. We think that the drying up or the constraining, for whatever reasons, of Commonwealth-State Housing Agreement funds has taken away a significant force in this country over the post-war period in moderating the growth of prices at the bottom end of the market, and it had that effect by directly contributing to supply.

An efficient market, without any impediments and interventions - as you note, I think, in the issues paper that you produced, "The major task for the inquiry is to identify factors that may be distorting demand or supply." Removing impediments is not necessarily going to fix the supply issue at the bottom end of the market, because of the inherent way the market operates. You go on in the subsequent paragraph to say that. That's page 3 of the issues paper. We say that this public housing issue - and we'll come back to community housing shortly - is a critical element and a significant omission from your discussion draft.

MR BANKS: Could I say, Grant, just on that - I mean, we clearly do think public housing is an important issue. Indeed, as you say, the Industry Commission did a whole inquiry on it. To some extent, that illustrated the fact that it is a big topic in its own right, and I guess there's a question on the one hand as to whether we could do it justice in this inquiry, devoted primarily to looking at first home ownership affordability, so what you'll have to do in your submission is show us that public housing is a critical issue in understanding trends in house prices and home ownership affordability.

MR BELCHAMBER: We say - - -

MR BANKS: No, not just assert it. If you can give us some information - - -

MR BELCHAMBER: But it's in your terms of reference. It's specifically in your terms of reference, and the terms of reference that you have for any inquiry are the result of a to and fro process between the commission and the minister who issues the terms of - - -

MR BANKS: No, that's not correct.

MR BELCHAMBER: Well, it's on transcript in previous inquiries, unless there's a recent change.

MR BANKS: We've received terms of reference which specify - - -

MR BELCHAMBER: Yes.

MR BANKS: You've indicated item (f), but (f) is prefaced by the lead sentence, which says:

Particular attention should be given to the following matters as they affect the cost and availability of residential land and housing in both metropolitan and rural areas.

What you've got to show is that public housing is a significant first order issue in terms of overall trends that we've seen in the cost and availability of residential land and housing. If you can do that, that's fine. I mean, we'll still have an issue in terms of whether we can do it justice, but we don't believe, in having looked at it so far, that it is such a first order issue in relation to the trends we've observed in housing affordability that it warrants making that a key part of the inquiry. Even if we did think it warranted that, I guess we'd have to say that understanding properly public housing and rental assistance and how they should be properly configured is a huge task.

The last inquiry that the Industry Commission held lasted, I think, at least 12 months and had probably 400 submissions in its own right, all focused on that issue. We have had some submissions, as you say, which certainly highlight that public housing is an important issue. The things you've highlighted, I think, are things we could probably reflect in our report, but whether we can deal with them as integral to the terms of reference in the way I've described is something that still, I guess, we need to be convinced about.

MR BELCHAMBER: If you want to say it's too hard and it's too big and, "We don't think public housing has got a role," even though it's in your terms of reference - - -

MR BANKS: We didn't say that, and the issues paper says quite clearly that it's a big and an important topic in its own right.

MR BELCHAMBER: Yes, but this reversal of onus and putting the onus on us to tell you that an issue that's specifically identified in your terms of reference as a matter to be considered in the availability of residential housing in metropolitan and rural areas, specifically citing public housing types - for you to tell us that we have to make a case for you to include it is a reversal of onus, when it's here in your terms of reference, and you haven't even got your 1993 report listed in your citations. I mean, it's a serious omission.

I would put it to you that you have to make the case that public housing is not relevant to the availability of stock at the bottom end of the housing market that first

home owners are trying to get into. If you want to make that and put it in the report, we'd be keen to read it and see what you have to say, but I don't think you can. We doubt that you can. We've put this material to you - and we'll put some more to you - but to say in the issues paper, "It's a big issue. I don't know that we can, in the time available, deal with it," and then just have nothing on it - nothing of substance at all in the issues paper or in the discussion draft - is just a staggering omission. You want to throw it back on us and say we have to make the case for you to include it, when the treasurer has asked you to include it in the terms of reference.

I should say too that particularly in the housing market - and as identified in your discussion draft - there are tensions. There are conflicting interests between participants in the market. The interests of investors in the housing market are likely to be at odds with the interests of actual potential first home owners in the market, particularly with renters too. One way or another, most of us are in the market as renters or as home owners or as investors and we think that in this particular inquiry - really, to ensure that impartiality and independence is seen to be done, that it would be in order for the commissioners on this inquiry to disclose their interests in this matter, as home owners or owners of rental property or as renters. That would add to the full information set available to the public in assessing the work of the commission on this particular inquiry. There's reference here in a few places to the change that we've seen over recent years, and I'm referring here to page 20 of your discussion draft:

About 12 per cent of taxpayers reported earning rental income in 2002-03 compared with 9 per cent a decade ago. Household survey data similarly indicates the share of households with an investment property is up from 8 to 12 per cent over a similar period.

There's another reference on page 41. The capacity for this share of the population to rise has something to do, surely, with the diverging income trends over the past 10 years or so, and it's not going to be the first home owners in the bottom 40 per cent of the earnings distribution who are responsible for this sort of movement. It's going to be better paid top end people who are active in the market, with a holiday house or an investment flat or property or two, if there's a spread like that. Particularly given these sorts of shifts, we'd say it would be an appropriate thing for this commission and for the commissioners - the three of you - to include in your report on this occasion - - -

MR BANKS: Would you extend that to participants, like the ACTU, for example?

MR BELCHAMBER: Yes, sure. I mean, everyone is - - -

MR BANKS: Will your submission have a declaration to that effect?

MR BELCHAMBER: Yes. I can tell you what my mortgage is now, if you're interested.

MR BANKS: I appreciate your raising this point, because - perhaps just to indicate our processes before any inquiry - we do ask, particularly, the commissioners who are to be involved with it if there's any conflict of interest in each inquiry we're on. Commissioners, like others, are engaged in the economy, so you need to discover whether there are conflicts and not just assume there won't be any. I'm happy to report on the record there are no significant conflicts in this inquiry and, in particular, none of us have negatively geared property or rental properties. That includes the team working for us as well. If any of us did, that would have been a major issue in terms of appointments. From that perspective, I'm happy to report that. If you'd like to do the same and tell us whether there are any conflicts in terms of your own involvement in the housing market - - -

MR BELCHAMBER: We'll play by the same rules. If you ask all participants to do likewise, fine, we'll be in that too, as a general rule applied to all participants. We're aware that there are general disclosure provisions come into play, but on this particular issue, given the interests of investors and home owners and renters and the capacity for all of us to give advice to other people about what's best for them - you may be better off as a renter. Maybe you don't need to aspire to enter the first home owners group, you know. If we're going to be dispensing that sort of advice to people, then it's appropriate that they know where it's coming from. Just a little point.

MR BANKS: Good. Thank you for that advice.

MR BELCHAMBER: We do think that the situation on housing accessibility and affordability at the bottom end of the market is severe, with unacceptable and avoidable levels of housing stress, and low affordability and accessibility. The figures we've shown you show that the attrition of the public housing stock and the clamp on the Commonwealth-State Housing Agreement funding has worsened the situation that was identified by the Industry Commission in 1993 in its inquiry. That's the report I referred to before - that's not included in your citations - in your list of references - volume 1, report number 34, 11 November 1993, where the Industry Commission found, "The findings of this inquiry point to many areas of unmet need, areas which warrant additional funding. Governments have a long way to go in assisting Australians who are most in need of housing. Many Australians remain in housing stress, in urgent need of assistance, for example" and then there's a reference to a study. They estimate that, "Currently there's an additional demand for public and community housing from people in the private rental sector of over 300,000 income units. To meet this additional demand would require a major

expansion of public and community housing stock, which is unlikely to be achieved in the short term. The commission considers it important that governments assess now what role they want public and community housing to take in the future, and begin reforms so that people do not suffer needlessly."

From that assessment 10 years ago, and the information that we've handed up today on changes in the housing stock, we think the case is made that, on the commission's own work, public housing is a major and important element in the first home ownership equation. To be a complete report - there's much useful information in the discussion draft, but it's incomplete. To be rounded out, to have the discussion complete, the public housing issue has to be canvassed in the report. We don't say that - - -

MR BANKS: I might just note that we are aware of that earlier Industry Commission report and, indeed, the fellow who's heading the research team actually headed the research team on that same inquiry, so that just underlines the fact that we're in a position to consider it, and we're not convinced that it was a first-order issue in relation to our terms of reference. Now, you're telling us otherwise and we'll take into account - - -

MR BELCHAMBER: Well, we want to ask you why you think it's not a first-order issue. Can you tell us, can you put on the record why public housing is irrelevant to first home ownership? Why does it not enter the equation in any significant way? The Industry Commission found this 10 years ago. We show you the trends. They're not hard to find. We don't find them in your report, but we can find them on the websites around the place, that public housing stock has gone down and affordability has gone down, and you say you don't think it's an important issue. Well, we look forward to seeing why it is not a key issue in the first home ownership equation. Perhaps you can set that out in your report, so that ordinary people like us can understand it.

MR BANKS: Good. Well, we'll try.

MR BELCHAMBER: We've talked about public housing, and we don't just say that because it was done this way in the past, there's only one way to skin a cat. There is a number of ways of directly affecting supply at the bottom end of the market. That's the key point here in what we're saying. What can you directly do to affect the supply of housing stock at the bottom end of the market, rather than just waiting on some trickle-down from individuals at last maximising their own utilities? What can you do to directly influence supply at the bottom end?

There are - beyond the traditional public housing role - some innovative suggestions that are in the field. Some of these are mentioned in the Construction

Union's submission. There are some other papers around about the place too, and I believe some other submissions to the inquiry have raised them, about community housing as an investment vehicle. There have been some propositions put about a debt model and an equity model, for institutional investors to take a place in the market and provide some fillip, some boost, to stock at the bottom end of the market. The debt financing model notes that the superannuation funds had a spread of investments, including some highly liquid investments in cash; that a secure investment in a well-constructed trust could deliver a return to investors of one or two points above the bond rate; and that would see a significant off-budget boost, if that's what matters to politicians, to the bottom end of the housing market. That would be one thing that would directly affect supply at the bottom end, and improve the chances particularly of low income earners getting into the home ownership market.

There's another version, which involves taking an equity stake in a housing vehicle, and that would be perhaps with federal and/or state and/or local governments having a stake, and the institutions having an ownership stake in a vehicle. There's all sorts of detail on those options and we can flesh them out a little if it would help the commission, when we put a submission in.

Rental subsidies are a legitimate component of housing assistance, particularly at the social security level, but it's also extended to people in employment at the bottom end of the wage distribution. As has been pointed out by a number of participants to this inquiry, if that's all government does, the increase in rental assistance outweighs the decline in Commonwealth-State Housing Agreement funding over the last decade, and if that's all that happens, it's a bit like throwing money at a problem. Perhaps you alleviate a little short-term pain for the people who get some rent assistance, but it doesn't directly - except through some convoluted trickle-down process - shift the supply at the bottom end. It's tipping money into a black hole, when investment activity is high and investors can just change the rents and soak up the subsidy without much happening on supply. The third point that - - -

DR SHANN: Sharan mentioned helping people move from public housing into ownership. Would you like to just comment on what is the idea behind that, and how would you go about doing it?

MR BELCHAMBER: From public housing into ownership?

DR SHANN: Into ownership. Yes.

MR BELCHAMBER: It's from public rental housing. There has been a number of schemes over many years. The South Australian Housing Trust has been doing this in all its existence, providing schemes and arrangements - - -

DR SHANN: So you're suggesting a national scheme, and so - of what nature?

MR BELCHAMBER: Well, we're not suggesting a particular scheme. We're saying that these are desirable features and desirable attributes of public housing and public housing initiatives, that should be included in design features. The Housing Trusts that do that provide that the rental repayments can be converted into an ownership of the dwelling over time. That has clear social benefits when you look at poverty in retirement. It's clear as clear for the mathematician doing the material that we put into the national wage case which is currently under way, that it's much harder to make ends meet if you've got to pay rent in retirement, than if you actually own the place that you're living in. The incidence of poverty and housing stress is much higher. So it's a desirable feature that some people - it's a bit facile to say, "You know, the poor will always be with us, so we shouldn't even try." Though it's not there in as many words, there are one or two places in the discussion draft where that's what jumped out at me off the page. To say that is to really disown the problem.

It is the case that some people will be renters all their lives, and there may even be some of them who prefer it that way, on some sort of rational economic calculus of what's in their own best interests, but not most of them. Most of them are renters because they can't get over the line. Public housing provides public rental housing and low-cost housing for sale. Here, in Britain, in other countries, it's a desirable feature of public housing arrangements, that there be some cross-over available from renting to ownership of a place.

The final point, then, was about taxation, and is an awful great mess really - the taxation side. Much of it is an unpicked well, if I might say, in the discussion draft. It has been argued that negative gearing arrangements ensure a supply of rental properties and keep rental property prices down. It's not at all clear to us that that's in fact or in the main the effect of negative gearing arrangements. What it does mean is that negative gearing is available to investors in the market but not to home owners, unless they get into clever dick schemes, such as Paul Clitheroe has suggested - house-swapping, I think, is the technical term. He has discussed this on a popular current affairs show recently, that you two might be mates and trust each other, so you buy a house that you want and you live in it, and you pay each other rent, and it's just another rort. It's another funny money arrangement and that can't be good for public policy.

Capital gains tax applies to investment properties but not to home owners. It has something to do with the renovation boom at the top end of the market, and the changes in recent years to capital gains tax provision mean that it's much more attractive in conjunction with negative gearing for investors to get into the market

and to take a punt. Then there's the whole issue of tax avoidance and family trust arrangements and we think all mixed up there together is a terrible mess, and to get some consistency would be a desirable feature of any change to taxation arrangements. It all does need to be reviewed.

Beyond that we have some support for anything that works in improving home ownership, particularly the bottom end of the distribution. I don't think the commission needs to worry about the top end and the efficiency of the housing market at the top end. Pretty much that will look after itself. I don't think the inquiry into first home ownership - the central concern is people who are buying penthouse apartments on the Docklands development as a first home. The commonsense interpretation of an inquiry of this sort is first home ownership for ordinary Australians, for people who are working and people who have got a mix of earned income and transfer income. How can they get a stake in the community? How can they get a stake in the housing market?

MR BANKS: Well, we agree with you on that and, indeed, our proposals for targeting the first home buyers scheme had that in mind in terms of people who needed it or deserved it, rather than those to whom it would have made very little difference. We've had a number of participants, and I think it's implicit in what you're saying, arguing that the negative gearing and other arrangements are really conditioning investment in the top end of the market, rather than the bottom end, and I think we've had enough information to indicate that this is happening. Do you have any comments on why - I mean, at face value, those sorts of taxation arrangements shouldn't necessarily force investment into the top end rather than the bottom end and, indeed, one of the points the Reserve Bank made was that it's kind of a popularisation of investment in rental housing, and it's not only wealthy people who are doing it. It's ordinary people who are choosing to do this as a form of investment. I would have thought many of those are probably buying a flat in their own suburb or something, but that's not coming through in what people are telling us. Have you got any views on why the taxation arrangements and what has happened in recent times has focussed investment far more into the top end?

MR BELCHAMBER: No first-hand information at all on that count, chairman. We could speculate about it, about the overheads and the transaction costs involved in getting into it, and if you can spread your transaction costs over - and if they apply to smaller investments, smaller parcels or larger parcels, maybe the investors think that they can get a bigger return. Obviously, by getting into the top end where more rapid income growth is expected, where the locational advantage - location location location - if you want to get in where the capital appreciation is going to be, then it's a more tightly constricted market than investing in Green Valley or Sunshine or Aldinga, where the prospects for capital appreciation - or rural Australia, where the prospects are much lower than they are on the Harbour fringe or the North Shore or

the beaches. More science than that we haven't got for you at this time.

MR BANKS: No, I think that's reasonable. We may well see an unravelling of some of that investment as vacancy rates rise in precisely that segment at the moment.

MR BELCHAMBER: Well, even if you do, it's not going to improve first home affordability or first home ownership for people who are struggling to get a place on common or garden incomes. That bubble at the top end, if it bursts - I mean, there might be a bit of trickle down, but it's not likely to be noticeable. We don't oppose what you say about the first home owners grant.

DR SHANN: What would you think would be the appropriate way of means testing it? I mean, the suggestions that have been put are capping the size of the value of the house that's eligible or actual income, possibly asset testing. Have you got a preference?

MR BELCHAMBER: Not an in-principle preference between one or the other. There is no in-principle objection to a combined test, as applies already on many social security entitlements; that there's an incomes test and an asset test. They may have assistance available conditioned on the value of the property and also on the income of the applicant.

DR SHANN: To give you a chance to respond, it's perhaps worth pointing out: the Urban Development Institute of Australia appeared before you did and in their submission they say it's estimated within the industry that classification as a commercial site will contribute approximately 40 per cent in additional construction costs, and a similar delay in the duration of construction. We asked them for the evidence about that and they said they would - this is from their members - supply it to us, and they also said that the cost of - - -

MR BELCHAMBER: This is the zoning of the land?

DR SHANN: No, the cost of construction of, if you like, a high-rise compared with a non-high-rise dwelling. They're attributing it to unionisation, and it also says that there's a difference in construction costs in Victoria of something like 20 to 30 per cent above Sydney. I was wondering if you have any comments as to why such differentials.

MR BELCHAMBER: Would we be able to get a copy of that submission or the transcript?

DR SHANN: Yes, it's available.

MR BELCHAMBER: It's available?

MR BANKS: You can get both, and in fact the submission should be out there and probably on our web site today.

DR SHANN: You might want to respond in your written submission.

MR BELCHAMBER: Yes, we'll have a word. We'll speak to the Construction Union as well and draw it to their attention.

MR BANKS: Good. Thank you very much for attending today. It's always enjoyable having a discussion with you, Grant. We appreciate.

MR BELCHAMBER: The pleasure is all mine, Gary.

MR BANKS: Okay, and we'll break now for a few minutes before our next participant. Thank you.

MR BANKS: We will resume. Our next participant is Wyndham City Council. Welcome to the hearings. Could I ask you, please, to give your name and your position with the council.

MR MOORE: Thanks, Mr Chairman. My name is John Moore and I am the coordinator of strategic planning at the Wyndham City Council.

MR BANKS: Thank you. Thank you very much for taking the trouble to attend today. There are a number of things to thank you for actually - or Wyndham City Council. You have provided a very useful submission in the first round as well, and indeed we made a visit or two, I think, out there to understand what was going on and you, as a council, were very helpful in providing information to us. Thanks for all that, and I will give you the opportunity to make whatever points you want to make in response to the discussion draft.

MR MOORE: Thanks, Mr Chairman, members of the commission. As you have already noted, you have received in effect two submissions from us: one was that submission in September that looked a little like that and, as you noted, it was fairly wide-ranging and covered many of the issues that impact on housing costs, naturally enough, focusing more on those that are critical to councils - and to our council in particular - but nevertheless trying to make sure that we put our own interests and concerns in a broader context.

Secondly, the document you would have received in the last week or so - which was like that - is a response to your interim report and, I might say, essentially, a very positive one, especially in the commission's clear recognition of the impacts of economic cycle and its clear support for development contributions, subject of course to a clear focus on real needs. I think you made that clear enough as well. Today I didn't intend to try to go back over a great deal of that, but I have prepared some summary notes that may be of some limited value to you, just in focusing on some basic introductory points. Do you mind if I just approach the bench?

MR BANKS: No.

MR MOORE: These few introductory notes are - - -

MR BANKS: You might have to wait and go back so that it can get on the transcript.

MR MOORE: Sure. There is no rocket science in these notes. You've seen the essential substance of them before, but it's worth just revisiting some key elements in them in this sort of manner. Firstly I just make the observation that the demand for new urban land based on dwelling approvals has accelerated in Melbourne - and I am

telling you something which of course you didn't know, did you? Seriously, the graph there shows in round figures - we've seen new dwelling approvals in Melbourne double between 1996 and 2003. We realise of course that we're coming off a low point in the economy to a high point but, nevertheless, it's a factor to keep in the back of our minds when we're addressing issues like affordability.

The second issue we remind you of is that there has been a major westward shift in Melbourne housing demand and that's seen a much more dramatic growth in places like Wyndham. You'll see that the rate of new dwelling approvals in the same period has gone from about 600-odd per annum to not too far short of 3000 now - for the whole year 2003 I think we're 2900-odd; in round figures, a four-and-a-half-fold increase, which is significantly more an increase than you see in Melbourne generally.

I will come back to that shortly because it is part of a wider issue that is important, I think, to this issue. Under the heading External Costs of Development we simply reiterate the observation that new urban development does generate major demands for a wide range of infrastructure, especially if it's on a large scale. I have just added here the note that in 1995-6, when Wyndham first introduced systematic development contribution plans, the city had about 25,000 dwellings. This has grown to about 35,000 today, but it's expected to exceed about 100,000 by the middle of 2030.

The concept of developer contributions enables a fair share of the costs of supplying the infrastructure needed by these dwellings to be charged to new users rather than the taxpayer or other ratepayers and, if you think about - the only real alternative is that the council funds all of this extra social infrastructure and road infrastructure and so on. The council is nothing more than the body that represents the ratepayers of the local community and you can imagine that a community of 25,000 households would have some discomfort with the idea that they have to subsidise the next 75,000 who come. Basically that's what it boils down to.

In Wyndham - the last dot point there - about \$6000 per lot in development contributions still leaves significant shortfalls, but it covers a significant share of a wide range of infrastructure costs. For example, just sticking with the shortfalls for a moment, we can certainly achieve sufficient contributions to almost cover the costs of constructing - or lifting the road network to the level needed to serve each significant growth community, but our contribution schemes don't factor in the travel that those people generate when they leave their own community, even though they are large in the way they're drawn, as they drive across the rest of Wyndham. Basically that's worn by the council.

Equally of course, and fairly so, if the existing community is already imposing

demands on a part of the network which is going to be funded out of development contributions, then that of course is subtracted. We're pretty disciplined in that, making sure that there is no cross-subsidy to act the other way. Nevertheless, there will always be shortfalls of that sort and, even when you get down to some of the community facilities, there is no figure in there for libraries. There's no figure in there for things like public swimming pools.

There are various local reasons for those kinds of omissions, but the reality is that this is not an exercise in scrounging every single possible dollar that can be won from development contributions, but rather setting a level of contributions that we can genuinely document; that we can show is supported by community expectations and is consistent with the level of demand generated. One of the reasons that libraries and swimming pools aren't in there is that libraries haven't been researched sufficiently well in our community to be able to say with certainty what kind of library service we should be providing at the macro scale as the city grows and, if you don't know, you can't go charging people for it. Similarly, in the case of swimming pools, there is a perception that perhaps we need to rethink just how councils go about providing outdoor or indoor swimming pools, so until we know where we're headed, again we can't go funding it or charging people for it.

MR BANKS: The numbers that you have got here in relation to subarterial road network and major pedestrian and cycle path links - this excludes the local infrastructure within a development, doesn't it, which the developer would provide themselves?

MR MOORE: Yes. For all intents and purposes, that's, best call, something like a construction requirement or something like that.

MR BANKS: Right, yes.

MR MOORE: It's very much part of the construction, so this is very much the - it's the one-mile grid of the road network, in essence, and as you can see, that alone works out somewhere in the order of 4 and a quarter thousand dollars, the lot. We charge it on a per-hectare basis, so it varies a little bit, according to the developer's lot yield. You'll see that pedestrian paths and so on, by comparison - in fact the graphs are probably slightly exaggerating it there because the system won't let us show a smaller quantity, but the cost of even those major links which follow waterways and so on is somewhere under \$200 a lot.

The total cost of maternal and child health centres and preschools is in the order of 300-odd - 320-odd, I think. Those figures are based on actual costs of constructing the latest facilities that we've constructed, interestingly, out of development contributions. You can see down through the list the basic open space

costs are in the same order. That's development. It's not the land. The provision for activity in community centres is about the same and the initial cut of sporting facilities - we keep using words like "basic" and "initial" because if, for example, there isn't a demand for a heavily floodlit or a much higher standard of oval or whatever, the perception is that that's not basic. It's something that the community needs to fund at some later stage.

Equally, change rooms and things are costed in, but not social clubs and sporting facilities - associated with sporting facilities because, once again, the perception is that that's not a base community requirement. It's something that the club might want and which they should be contributing to in some way. That kind of test is repeatedly applied as we go through and, even with things like tennis courts and bowling greens and so on - if they want social rooms and all those kinds of things - which all tennis clubs will want - once again that is something they pay for, so it's not charged against the development industry.

I guess it's fair to say that the sort of total infrastructure costing we're talking about - in the order of \$6,000 altogether per dwelling - is significant but, in the total scheme of things, it's about 5 per cent of the cost of a \$120,000 home lot and about 2 per cent of a \$300,000 home-and-land package. I spotted some nice letterboxes for sale in a nursery on the weekend and I see that a nice letterbox will set you back 3 to 5 hundred dollars. I know you can still get a cheaper one. If you are watching your affordability you can still get them well under \$100, but there are lots of people putting 3 to 5 hundred dollars into their letterbox. That's less than they are expected to contribute to maternal and child health centres and preschools.

MR BANKS: Yes. You'd need some pretty good mail coming in to justify that expense.

MR MOORE: I think so, yes. Just the observation over the page: from the council viewpoint, for every 10,000 dwellings - and we've grown by 10,000 dwellings just in the last seven or eight years, and we'll grow by another 10,000 in the next three years if we slow down a bit - sorry, four years that would be. The development contribution of \$6000 a lot would generate \$60 million and that's a pretty good indicator of the low end of the range of costs the community is up for, whether we have got development contributions or not.

If you multiply that by several fold over a growth of maybe another 70,000 dwellings, you can see that we're talking massive numbers for a council and even though Wyndham probably has one of the biggest capital works programs in Melbourne running at the moment - pretty close to \$30 million a year - we wouldn't go anywhere near it, and that would be an enormous strain on the community for a very, very long time, if the actual users weren't generating these kinds of

contributions.

We make the point that the failure to ensure up-front infrastructure funding typically disadvantaged the very people we're trying to help. If people move into localities with clearly inadequate roads, if they move into localities with clearly inadequate preschools and recreation facilities and so on, that community will spend the next 20 years fighting tooth and nail to get those kinds of facilities created and upgraded. By the time they've finished the fight and they've got most of it there, they've gone anyway. It's not much use putting a great battle in to get the local preschool built if your kids are nine and 10 when it's finished, or to get a local football ground if in fact your kids have just left home, unless you're playing yourself, and it's those kinds of issues that underwrite the importance of this infrastructure funding approach.

The next point just brings us back to a core issue in the inquiry, and that is that urban growth areas do normally offer the cheapest entry points for new home buyers. I don't think I'm telling you much that you don't know but the reality is that especially in periods when the economy is under pressure, when housing prices are climbing, there is a very large amount of duress on those people who are of less means and in fact, for that matter, people of pretty average means or better than average to search the outer suburbs for more affordable housing.

MR BANKS: Has that changed over time, though, in your experience?

MR MOORE: Well, it has in the sense that redevelopment through the suburbs has provided a good range of apartment and unit style housing for people who are comfortable with those as living environments, but I don't think we've changed as much as we would expect in the need for, if you like, the allegedly disappearing nuclear family. Ultimately, young people who live on the 15th floor of an apartment block in South Melbourne might have a wonderful lifestyle and be very close to work and so on, but if they have a nipper on the way, they pretty quickly rethink that.

A significant proportion - and I could tell you the percentage, but there's a significant minority proportion of new home purchases in places like Point Cook and Wyndham Vale and so on - in Wyndham are by people whose last address was in South Melbourne, Kew, various other inner Melbourne suburbs, and in particular a lot of them quite clearly have come from the apartment belt. It's still true that the lion's share of new buyers come out of the western region, but even then we think that some of the people coming back to apartments have actually gone from Wyndham, moved into the city and now they're coming back.

The only reason that Wyndham has been out of character or sync, if you like, with the likes of Casey and so on is that there is also a shift to the west going on that

we think is driven as much as anything by the sudden emergence of places like Century Lakes, Wyndham Green, Caroline Springs, Cairnlea and a dozen others which have established for the first time to a lot of people that it's okay to live in the west if you're successful.

DR ROBERTSON : They've also got a new road.

MR MOORE: Yes, one of those ring roads. Yes, I'm being just a little facetious, but you're right. That's certainly been a big driver. In fact the soundness of what you say is reinforced by the fact that Melton's growth took off about 96 or 97, before Wyndham's did, by two or three years, because Melton benefited from the ring road and Wyndham didn't. But, by the same token, apart from the end of a toxic dump campaign, which is one of those local things that does bear down on people's housing choice, the reality is that the appearance of high-quality residential estates has taken hold anyway, and that's the only reason that you can expect to see people from clearly above the middle income range buying into the west in large numbers, and it is happening.

DR SHANN: Clearly the up-front cost is one of the barriers for first home ownership, so I suppose a question is: do you basically have sort of a standard minimum level of service provision in terms of preschools but you'll have some areas which get higher standards, or is it basically a set standard that you provide across the board?

MR MOORE: No, we provide the same standards across the board. We expect that in that period of flush when a community is at its, if you like, height in terms of the number of people of that age group that we're going to have either shortfalls or we're going to have to move children around to some degree, but the alternative is if you try to provide for peaks, you end up overproviding and you're back to square one with those sorts of issues. But we do work that way.

The other thing about it is that if we did try to differentiate from locality to locality we would probably find that we would be putting more of them into somewhat lesser income areas, merely because they have higher proportions of children in the zero to five bracket, (a) because they tend to be slightly larger households, not by much of a margin, but they do; (b) because in the more expensive areas you'll tend to get second and third and fourth home buyers rather than firsts and seconds. In Point Cook, for example, there's a significant proportion of the population of children who are above eight or 10, whereas in some of the newer estates it's nothing like that.

DR SHANN: I suppose the other question is: will developers in some cases as a sales point want to put in say more open space than you would regard as your

minimum standard?

MR MOORE: We end up discouraging it, except on the very local level. If they want to provide some additional linear local parks and so on, that's fine. We have defined a need for about 7½ per cent of net area of subdivision to be set aside for open space, but we find a need to make sure that that is well used across the spectrum of need. For example, if we don't make sure that a good 4 per cent or, in other words, a bit over half of that is reserved for sports fields and so on, we don't get them, because what happens is that it works best from a marketing viewpoint to have one-hectare neighbourhood parks with a gazebo in the middle and the roses around the outside and whatever - and, I mean, they're wonderful - but if we have them every couple of hundred metres, they'll chew up the entire contribution. So we'd need to actually bear down on the number of those that are provided and set some fairly clear standards on how many people are allowed to have. But open space long term is awfully expensive.

DR SHANN: In your supplementary submission you say council recognise the importance of ensuring that double dipping does not occur by differential rating. I take it from what you say your preference is basically specifying exactly what you're spending it on, limiting it to the capital cost and ensuring it's spent, rather than differential rating.

MR MOORE: Yes. There's several forms of double dipping, and that's one of them. Another obvious one with roads, for example, is that there is always a regional element in road usage and VicRoads will always pick up an element of that, and our development contributions packages are always discounted to allow for the premise that there will be a state contribution, otherwise once again we would be quite clearly collecting the same money twice.

DR SHANN: So you haven't engaged in any differential rating?

MR MOORE: What, between different residential areas?

DR SHANN: Yes.

MR MOORE: No.

MR BANKS: One thing I was just going to ask you - whether you had any kind of top-of-the-head reaction: we've had some discussion and will have some more about the extent to which developers are holding back land and the extent to which one or two developers might have the lion's share of the potentially available land. Could you talk possibly in general terms about whether that's been an issue in your municipality?

MR MOORE: I don't think so. I don't see any sign that I could put my finger on that the development industry is consciously doing that. We've had cases of a couple of developers that have taken a very very long time to launch major projects but if you look behind that to the causes, often infrastructure shortages and so on, they're doing it for sound reasons, not because they're trying to manipulate the market. Wyndham would be a very awkward market to manipulate because we would have at least 20-odd significant subdivisions on the go at once, so it's not an easy market - - -

MR BANKS: Okay.

MR MOORE: And in addition to that, we don't live in a cocoon. Melton is not that far away and even Brimbank, a significant growth area, and the likes of Cairnlea, so if you look at it more regionally, there are probably more like 35 or 40 significant subdivisions on the go.

MR BANKS: Could you remind me where the urban growth boundary goes in relation to Wyndham.

MR MOORE: Yes.

MR BANKS: Is it proximate?

MR MOORE: It's pretty easy to describe, in part, anyway. If you could imagine - do you know Leakes Road? That's an east-west route than runs - it's a continuation of Kororoit Creek Road, runs off pre-freeway and heads westward. That at the moment is the urban growth boundary, and it continues not all the way to the river. It continues just past Tarneit Road to a road called Davis Road and then doubles back around and comes down to the river further south. It then omits most of the north side or the river side of Ballan Road but wraps around the Manor Lakes project, which has been long zoned as residential, and it's a project with a capacity to deliver 7000 lots, but then leaves out potential growth areas south of that down to the - - -

MR BANKS: Okay. Where I was leading with that was really whether you had any comment on - I mean, the UDIA has raised the question of the extent to which the urban growth boundary has had an impact on prices, whether that's been evident at all in your shire.

MR MOORE: I think they're right, in a nutshell. The urban growth - if I take you back a step, the release of new urban land in Wyndham over the period since 1991 has been guided by what's referred to as the Werribee Growth Area Plan, which was developed by state and local government collectively. It's provided for a growth to a community of some 300,000-odd people and in the area we're just talking about, for

example, it generally went northwards to about Dohertys Road, which is the next mile grid square northwards, but to the east end it went a bit further north; it went right up the boundary. And when it went westwards across Tarneit Road to Davis, it continued on to the river, and there are also significant areas around this Manor Lakes locality to the west.

Melbourne 2030 clipped about 37 square kilometres out of the Werribee Growth Area Plan, for review, and most of it I don't think is necessarily clipped out permanently, but certainly for review, and that I think left relatively modest pickings for the development industry in between, and it certainly set off a pretty quick scramble to try to pick up most of the balance. I haven't made what you could call the kind of analysis that you would need to be able to rely on.

Anecdotally I've heard of lots selling for \$400,000 per hectare, where a year and a half earlier they were going for 200. I think that's the extreme. I think that there are cases where the degree of escalation has been a lot less than that. I think it's also true that some of it would have happened, anyway, given the strength of the boom, and the rapid discovery by developers that where they thought they had five and 10 years' supply they've got three or four, but I find it difficult to believe that the deletion, however temporarily, of 37 square kilometres hasn't had an effect.

MR BANKS: Good, thank you. We've stopped you sort of midway through your presentation, I think, so we're happy to resume.

MR MOORE: I'm happy. I'll work with what you want. I did make a point at the bottom of that page that - no, I will go back to the notes at the bottom of the graph at page 5, just to reiterate the notion that this trend we think is driven by affordability of land and of housing in Wyndham, by its relative proximity to Melbourne, by transport improvements, as Mr Robertson rightly said, the emergence of a selection of attractive new communities, as we've noted, and early commitment to roads and community infrastructure based on development contributions and confidently marketed by developers. The marketing people quite rightly point out that, "Hey, the need to upgrade this road is already funded. The council has got it in the budget next year or whatever. Your community centre is coming. It will be here this year or next year or the year after or whatever."

Perhaps just to illustrate that point, if I just take you to the last point I raise on these notes and that is about Point Cook. In Point Cook, in 1996, we had a RAAF base and some farms. The first subdivision to put a lot on a market was Sanctuary Lakes, which had its first resident move in in 1999. At the 2001 census it had 2100 people. Right this week it would have about 11,000 and it's bubbling along at a rate of somewhere around 4000 a year or, if you like, 3 or 4 hundred a month. So we have a community down there of 11,000 people which has all happened like that.

We already have the first sports grounds built. We already have one of the major connection roads that connects Point Cook to the rest of world built. We already have significant funding towards two other roads being put together. Can I make the observation that something like a quarter million - sorry, I left a zero off - something like two-odd million dollars has been set aside out of development contributions to upgrade a part of Point Cook Road which is in the city of Hobson's Bay. Without development contributions there's no way there would be money being pumped into another municipality like that when we've got major needs of our own, but the reality is that that's where the community's needs were and that's where some of the contributions are going.

The major community centre to serve the community is under construction now. The first maternal and child health centre is up and running, in the first preschool. The reality is that if we had been hit with a brand new community that had blown out to 11,000 people in that sort of time-frame there is no chance, without development contributions, we could have got anywhere near it. I also suspect that there's not much chance we would have got to 11,000 because the access onto the freeway would have jammed up, we wouldn't have built it and the developers couldn't fairly and honestly market that all these services are on the way, and you can see them growing out of the paddocks. They do provide a significant contribution in that sense.

There is one point that I was going to pick up anyway later that's perhaps worth doing it now, and that is that the other contribution that these development contributions make is that they allow the council to plan with some confidence. You refer to Leakes Road. If you've been along it, you'll know it's a goat track. It's a four-wheel drive access road only but it runs right down the side of a major urban community and some of the first releases, unfortunately, are at the west end, not the east end. So we're confronted with a major immediate problem of what on earth do we do about Leakes Road. The first carriageway is \$8,000,000 worth but we've got no money yet in a kitty that we could direct into that road because the same kitty which is directed to that Wyndham North area has already been funding upgrades to other roads like Sayers and Morris and so on.

So council has confronted that by saying, well, if the worst comes to the worst we're going to have to go out and borrow it, but we can borrow it against the certainty that, as development proceeds, we'll have these development contributions to carry ourselves, otherwise we're going to load the community with a massive burden that we didn't want. So the contributions serve that kind of benefit as well. It hasn't actually happened yet but it's clearly the way that their current planning is headed and we're going to have to do something.

DR ROBERTSON: You will have to get the people to all buy four-wheel drives, I think; put it onto the private person.

MR BANKS: Enough people are buying four-wheel drives, so give them a road to drive it on.

MR MOORE: If they could all afford four-wheel drives, then they could probably afford to spend more on housing.

MR BANKS: That's true.

MR MOORE: But then we also have to worry about the greenhouse impacts of that.

MR BANKS: A point that I had signalled that I was going to ask you, just because - you've heard about it both in Queensland and New South Wales - and that is some of the constraints that councils are faced in responding to this surge in demand in terms of their own capability of responding to all the development applications and so on. Has this been an issue for Wyndham?

MR MOORE: I think it has been an issue for almost every growth area municipality. Almost the last thing I did before I left this morning was to pass on some notes for interviews of new personnel in yet another attempt to replace a lost person. Our work group hasn't been at full complement for at least nine months. We get out of it by prioritising but some pretty important stuff gets left off, even to the point where we have to undertake a substantial review of our development contributions and we can't finish that, although in that area we do need to await, to some degree, the outcome of the reviews under Melbourne 2030 too because each of our major growth fronts has been affected to some degree by the urban growth boundary's relocation from the old growth boundary. You do need to cost in real figures and real extensive urban area and so on, so that's an issue anyway, so we can't blame that all on resource problems, but certainly we are struggling.

DR SHANN: One of the things that developers have said they worry about is the high charges they face in Sydney, spreading to other jurisdictions - and they're just saying here that given what you're charging, there's a substantial shortfall compared with the actual costs. I suppose one obvious question - two questions - would be: are you under pressure to raise the amount you're charging and exactly what is the extent of the shortfall, on your estimates?

MR MOORE: We were under pressure to raise it because our figures were about 30-odd per cent below where they have been for the last year or so. We had left significant components out of costings that we thought shouldn't have been there or

didn't think to put in there. There were some significant areas that we just didn't have adequate data on. As I was saying before, you simply can't fairly set contributions on things you can't cost. Given the reasonable principles about, if you like, high order or - not strictly luxury but better quality services and a state government which is fairly determined to discourage councils from getting into funding superior level facilities - I think that we're not at a position - we're under severe pressure to ratchet upwards again our contributions levels, except in either reviewing individual costs or in response to inflation or whatever. We might even see that construction costs might level off a little anyway.

DR SHANN: Would that partly be reflecting - obviously, land costs have risen so is provision of open space - is partly sort of a lag in incorporating the increased cost of land in your - - -

MR MOORE: We're always chasing our tail on that when there's rapid inflation, yes. Certainly we factored in about a 50 per cent increase and our latest review on the broadacre land price, the reality is that we're still factoring it in at, believe or not, \$150,000 a hectare. We get out of gaol, especially with the larger developers, but we get out of gaol because we will only allow the same price back to them on the land they transfer. They can, I think, generally see the logic of that. The alternative is that every time the valuers tell us that the land has gone up again, we whack the contributions up again, and that just gets - it's hopelessly difficult because our ability to sense where the market is is nowhere near as finetuned as you would need it to be to do that.

In essence, our bottom line on things like that is that the development contributions are not designed to make a profit. Providing that the cost in and the cost out are the same, then hopefully everybody's concerns have been addressed as well as practical. Certainly that argument seems to work with the people we talked to.

MR BANKS: One of the issues for us has been to look at the role of development contributions over time relative to other cost imposts and so on and I note that you say on page 2 of your submission that they have increased in Wyndham in recent years in monetary terms but, as the percentage of the cost of vacant lots, current infrastructure charges have reduced. Any data, even if partial, would be quite welcome there, acknowledging that that's only a subset, perhaps, of the total contributions that developers may have to pay, but if you were able to give us some kind of information on that, that would be great.

MR MOORE: Certainly. We could probably do that, although I'm not sure how sensitive our advice would be on - or how sound it would be on all of the core costs over time - but the development contributions themselves have gone through a long

period where they simply moved upwards with the CPI, which was a long way behind the building costs and cost index. We then ratchet them up in one fell swoop by, in round figures, nearly 50 per cent so in that period they look awful but since then they have been back to CPI movements again.

MR BANKS: At least this component, as you say, we're talking about 5 per cent or something, I think you mentioned, of the total cost.

MR MOORE: Yes, and that's a fair comment. I think in Wyndham's case, if we went back to the middle 90s, we would have been in that order then too, at least, and maybe a little more.

MR BANKS: Okay.

DR SHANN: Can I also ask whether you have got any comments on the sorts of changes being suggested in the Better Decisions Faster by the Development Assessment Forum, in terms of changing the nature of the planning system?

MR MOORE: Delay is certainly in a system always expensive. They probably add to the cost of the approval process itself too but obviously, if there are substantial delays in the system, they do feed through to extra costs and they must affect affordability. I think the bigger risk in some ways is not so much the cash cost that you might be able to measure, which might be the interest on the amount of time that the land has been held, or whatever, but rather on the response in the market to demand when demand changes suddenly.

If you fall behind in approvals because of the weight of work and that in turn feeds through to constraints on supply, yes, I couldn't give you any measures of it, obviously, but by the same token I'm sure that's probably the more hidden but the more significant impact. That said, I think it's fair to say too that a lot of councils, and certainly the one that I'm at, are pretty good at finding a way to crash or crash through. I am sure the industry could point to exceptions but it's not that unusual for this council to go all the way from the initial subdivision application through to the development plan stage and so on and to approval of a subdivision in six or seven or eight months; and given that you've got referrals to all of the other service agencies and so on. That's not necessarily all that bad but, let's face it, there are cases where it stretches a lot more than that.

If rezonings are needed you can always throw an additional 10 or 12 months in, or eight to 10 anyway, and that's the period when often we're negotiating development contributions with people, so those things can overlap but whilst there is some ability to overlap - and I do think that a lot of the best opportunities for saving where there are multiple approvals needed - that the best opportunities are by

overlapping. In those cases you can at least shrink the time so that you don't get maybe 12 months in their rezoning process plus six or eight or 10 months in the planning application subdivision approval process. You should be able to concertina them over - a little, except, of course, that you can't approve a subdivision or planning for that matter until a rezoning has occurred.

DR SHANN: I guess, assuming your case, in a sense your focus is on new development of greenfield sites rather - so you don't have the same problem, say, as the inner city councils might have with proposals for increasing medium-density developments.

MR MOORE: No, but I have been there.

DR SHANN: Right.

MR MOORE: That gets more thorny, doesn't it, because then you are introducing the third element of the established interested community. It's very, very easy to see them as negative, self-protective NIMBYs, for lack of a better term, but I think that the more we allow ourselves to adopt that line of reasoning, the more we're going to provoke them because it will flow through in the way we treat them. I think we need to accept the fact that the community has a valid interest in what goes on around it, expects to have it and will protect it, and sometimes they go overboard but sometimes we push them overboard too.

It's a very volatile and active industry from every angle. Every developer wants to get the very best he can out of a lot he has bought from a return viewpoint and why shouldn't he? Every resident wants to protect his property from what he sees as unduly intrusive and unfortunately the two won't always see eye to eye. I don't know that any place in the world has found an effective way of addressing that in a way that respects the interests of both without going through a process that can take quite a lot of months, except that sometimes the smarties in the system can do it themselves.

I have been there personally and got an approval through in a very short time frame because my neighbours liked what they saw. I have had associations with others who have done the same. It doesn't always work but there are often times when the developer and the neighbour can find a good balance and they're both happy.

DR ROBERTSON: Could I just ask a very quick question which is you mentioned this report for the minister of planning which he received in April last year.

MR MOORE: Yes.

DR ROBERTSON: You suggested it might be available this month. Is that a realistic estimate?

MR MOORE: I don't know. I haven't been able to update just when that might be available, but I would have thought that it's something the commission might want to see.

DR ROBERTSON: Yes.

MR BANKS: Is that the one that Marcus Spiller has been involved in?

MR MOORE: That's the one, yes.

MR BANKS: He'll be appearing tomorrow so we can, one way or the other, get some substance out of that in his presentations.

MR MOORE: Right.

MR BANKS: Thank you very much for that. We have found that very helpful indeed and, as I say, if there was a bit more information that you could help us with - I suspect that at staff level we may already be interacting with you and we do appreciate the help we have had.

MR MOORE: You're quite welcome. I appreciate your time in the hearing.

MR BANKS: We will break now for lunch. We're resuming at 2 o'clock. Thank you.

(Luncheon adjournment)

MR BANKS: Our next participant today is Langford-Jones Homes. Welcome to the hearings. Could I ask you, please, just to give your name and your position with that company?

MR LANGFORD-JONES: Bruce Langford-Jones, and I'm the managing director.

MR BANKS: Thank you very much for taking the time to come here and talk to us today. You made an earlier submission, which was a very informative one, from your own experience, I think, as to how some of these costs add up and you have given us a bit of an indication of what you want to talk about today. I will hand over to you and then we can see where that leads us, in terms of questions and so on.

MR LANGFORD-JONES: Thank you, Gary. I guess my main beef or concern is to do with councils and the costs that they are adding to housing. We are sort of a medium-sized builder and we build mainly in the South Gippsland area. We do a few dual occupancies in Melbourne, along Bayside, but most of our building is predominantly in South Gippsland.

We've had a couple of experiences, and I guess the first one I'd like to talk about is where you need a planning permit - the councils require it - and then you have to comply with their conditions. All of the conditions are exactly the same for every permit; this is the South Gippsland Shire, which is Venus Bay and those areas. You have to have colorbond roofs, a treatment plant, muted tones. It's a fire area, so you have to have certain conditions there. I think I listed some of the things that you need in my submission.

The biggest problem that I have is that you have to wait up to eight months to find out what you know already. You are going to get a permit but you have to wait eight months to find this out, which you know anyway. So why, in the first place, don't they just say, "Well, look, as long as you've got muted tones, colorbond roof, all these six basic conditions, and vegetation, as long as you clear within two metres of where your house is going, you should get a permit." You shouldn't have to wait eight months.

I just cut a piece out of the local paper, which I can give you, and they mention here about the eight months, that people have to wait eight months. It just seems to be completely unnecessary. I don't know if you want that, David?

DR ROBERTSON: Yes.

MR LANGFORD-JONES: It just seems to be a waste in costs and those costs could be, in that particular case, maybe 6 or 7 thousand dollars, and I just think it's unnecessary.

MR BANKS: This is for an individual house?

MR LANGFORD-JONES: This is just for an individual house. And you know what it's going to be anyway. It just seems crazy.

MR BANKS: So when you say you know what it's going to be, given that you know you have complied with these six conditions or whatever, and you haven't had further problems: that you got one of these wrong, or there has been some sort of - - -

MR LANGFORD-JONES: No. If the council says to you, "Well, look, have a colorbond roof, muted tones, a treatment plant, a water tank, and so on," you should just get a permit. Then if you go outside of those things, well, sure, get a planning permit.

MR BANKS: Yes.

MR LANGFORD-JONES: It's stupid pushing everything through planning. Councils haven't got the staff. They are going broke, as the local paper said last week. All of the planners are leaving. It just seems to be ridiculous.

DR SHANN: I assume you operate in a number of different council areas. Is there any difference between the councils, in terms of - - -

MR LANGFORD-JONES: No, from Phillip Island right down to a place called Venus Bay. I'm not sure whether you gentlemen are from Melbourne or not, but from Phillip Island all the way through. But South Gippsland, that's just one instance. There are other things that you need that add to the costs also. Like colorbond roofs is another thing. That's another thing that I think I've put in my submission. They are sort of just averages, but they are adding to the costs as well. It's mainly the time delays, which is my main concern. The fact that you have to have a colorbond roof instead of whatever roof you want to put, instead of letting the market decide, they are telling you what you have to have. I can understand that. I'm against it but I can understand that. It's mainly the delays.

MR BANKS: When you say a colorbond roof, by that you mean a corrugated - - -

MR LANGFORD-JONES: A corrugated iron roof in a colour. You can't have silver or zinalume.

MR BANKS: So you can't have a Stramit roof?

MR LANGFORD-JONES: Well, a Stramit is a trade name.

MR BANKS: When you say colorbond, it has just got to be painted?

MR LANGFORD-JONES: It has to be a colour, yes. There are different profiles, but it has to be painted, yes. A lot of the architects today are going back to the old heritage in silver, but they say you can't do that. It's another cost onto the product, I guess. If you add all of those - I have \$13,000 there as a total cost - plus my biggest one is the delays, really, especially when you know what they are going to say. I have given another example there. This is the shire of Bass, which is the next council in this case, where a lady has bought 20 acres or 30 acres - I just forget now, but something like that.

She has a view over Westernport Bay and French Island, and the council - she wants to be sort of near the top of the hill so that she gets the view like here. The council has said, "No, we don't want you spoiling the landscape." But that has taken her at least eight months to get a permit, and toing and froing. In the end she has just given up and put the house at the bottom of the hill, where she has no view and nobody can see her. The council is happy with that because they don't want the landscape spoilt.

MR BANKS: This is on quite a large plot of land.

MR LANGFORD-JONES: 20 acres or 30 acres, I think it is. Yes, it is a large block. I just think that if they allow you to build in the first place you should be basically allowed to build where you want - one house. If it's two houses or whatever - but it's the delay that is the cost. It has to be streamlined somehow. I think the previous example is a really simple one. Just to say, "You've got to have this, this, this, and you get a permit. If you go outside that go to planning." But why wait eight months when you know what they are going to say? It's just crazy.

MR BANKS: There was nothing else involved in that particular development application?

MR LANGFORD-JONES: No. We have them all the time. The article in the paper, they admitted there that sometimes it takes eight months.

DR SHANN: So you provided all the information they require first up, basically?

MR LANGFORD-JONES: Yes. But that's another tactic that they use. If they haven't got time to get back to you within the 60 days which they are allowed they swing in some red herring to give themselves more time, or they want more information, or they want a landscape plan with botanical names, which nobody even

reads. We've had cases where we will submit a landscape plan and they will want botanical names, which nobody is going to look at, there's nobody there to police it, nobody is to look at it. It's just crazy. I understand it's difficult between the state government and the federal government, and the councils don't want to lose control. I don't know how you get over it, but that's the difficulty I guess.

The other thing that I'd like to touch on is that I believe if councils allow a subdivision to happen you shouldn't have to go to planning. We have another case at shire Bass. A brand-new subdivision and we still have to get a planning permit. That's another delay.

MR BANKS: You mean for an individual house?

MR LANGFORD-JONES: For an individual house. If they approve it for a new subdivision for single dwellings, why do you have to go through the process of getting a planning permit again? That has happened down at a place called Coronella. Once you get the plan they bring in all of these other things; because you need a plan they bring in all of these other conditions on top of it.

MR BANKS: In your experience has this been an increasing problem over time?

MR LANGFORD-JONES: Definitely. 20 years ago we never had any of this. I think that the market will determine a lot of these things. You get planners who, as I understand it, are getting more involved in design. They have no experience in design. Their course at university, there is no design component in the course as I understand it. They are telling you that "council won't like this," or "council won't like that". In other words, they won't like it. It must be really frustrating for the architects.

The last point I'd like to talk on - and this has just happened last week. In Bayside, where we have a dual occupancy, they have an amendment that they are trying to get through, called C2. It's not in yet, but they have been talking to the government about it. It's not law. I have some plans here, and I will just pass those across. What happened, when this went up to the planning committee last Tuesday night they knocked it back because it didn't comply with their C2 amendment that's not even in yet. We have to take the back off the house and move it forward a metre, I think it was. It makes it very difficult for the designer who has designed it according to the current regulations, and then you get knocked back on something that's not law anyway.

At the meeting two of the councillors said, "Look, if it goes to VCAT we will never get it through. We won't win." Then the mayor said, "Oh, they won't do that. It's going to take them nine months to get it through VCAT." Which is not entirely

right. It doesn't take that long. But just his attitude of saying, "They won't do that. It will cost them too much. It will take nine months to go to VCAT." That's just completely wrong. The holding costs are just astronomical. The poor old designer has complied with everything. The problem we thought we would have is one of the next-door neighbours with a window overlooking. Then this thing comes out the blue - this C2 thing. But I mean it's still another delay. It's fair enough if it's law, but it's not.

DR ROBERTSON: This eight months, is it always eight months?

MR LANGFORD-JONES: It can vary from six to eight months. Most of the time it's at least six months.

DR ROBERTSON: Has it been denied beyond eight months? What happens if they get there and they find another excuse, like this C2?

MR LANGFORD-JONES: The C2 is the Melbourne council. In the country I guess they don't have the staff, but the crazy thing is they are bringing more and more things in and it's very difficult. You get these young people, who are through university, and they haven't got the pool - the councils haven't got the pool of people to draw from. Yet they are pushing everything into planning. So it's fine if you've got the staff, but there are more and more things being pushed into planning without the staff being there to handle it.

DR ROBERTSON: In your experience do many of these go to the full council for consideration?

MR LANGFORD-JONES: It's interesting. In that case of the local newspaper there the councillors have made a decision last week. You have a choice now. you can go to the council employees or you can go straight to the full council and get a decision. So you have councillors making decisions. They are not qualified to make decisions. They recognise that there is a problem because this is their solution. I'm hoping it will work, but I can't see it working.

MR BANKS: I think sometimes watching a group of councillors make a decision would raise questions about whether it will happen in the first place.

MR LANGFORD-JONES: It's frightening. After last Tuesday night, at Bayside, it's frightening. It's just absolutely frightening.

MR BANKS: In all of these cases you are basically talking about single dwellings.

MR LANGFORD-JONES: Mostly single.

MR BANKS: Or dual occupancy?

MR LANGFORD-JONES: Well, the one at Bayside Council is a dual occupancy.

MR BANKS: Yes.

MR LANGFORD-JONES: Most of the time it's single houses.

MR BANKS: Is the dual occupancy one that was resisted by neighbours or where there was - - -

MR LANGFORD-JONES: There was one neighbour that was interested in a window, but that didn't even come into it. We thought it would come into the equation, but this C2 came out of the blue. We didn't even expect it. It was just straight out of left field. The poor old designer, it's very difficult for him. When he has complied with ResCode, he has complied with everything, and then he gets knocked back on this because it's something the council have been talking to the government about and it's not even law yet. But it's going to be another delay. For the mayor to say they won't go to VCAT because it will take them nine months and it will be too costly, that's just the wrong attitude.

DR SHANN: We flagged, in the draft report, the need to look at the scope to improve or expand "as of right" provisions, and you are effectively - - -

MR LANGFORD-JONES: Basically that's what I'm saying.

DR SHANN: That's what you are in favour of.

MR LANGFORD-JONES: Yes.

MR BANKS: What are the risks, from the councils' point of view, of going that next step? From your understanding of the sorts of things you are dealing with, what would the risks be if that were generalised as an "as of right"?

MR LANGFORD-JONES: I can't see any risks. I think if you said to a builder, "Look, you can only clear two metres around your house and then anything else you need a planning permit," that's fine. I'd be happy with that, but 98 per cent of the time you get a permit anyway.

MR BANKS: Yes.

MR LANGFORD-JONES: I can't see any risks. I believe it happens on the

Mornington Peninsula now. If you comply with these things, well, you get a permit. If you want to go outside that, well, then you've got to go through planning.

MR BANKS: We heard when we were in Sydney that Leichhardt Council for a while, facing the kind of resource constraints you're talking about, had an arrangement whereby you, as a developer, had a choice of spending your eight months with Leichhardt Council or going to a private certified assessor and paying for that person's time.

MR LANGFORD-JONES: Fantastic. I would definitely be in favour of that. I believe it's happening here in Melbourne at Mornington Shire and Glen Iris Shire. From the builders I've spoken to, they say it's pretty good. I think, in the end, it's still got to go through the council, but all the legwork and the - if you get a private certifier, he does all the hack work and then it goes to the council, which seems commonsense to me.

DR SHANN: Like, "You're offering us a specified period of time," so if you paid the amount it would be turned around within a certain number of days.

MR LANGFORD-JONES: Yes. I think it may cost you a bit more up-front, but as far as holding costs and all those other add-ons it would certainly be a lot cheaper than it is now - a lot cheaper.

DR SHANN: They ran into the problem that there was criticism that people were buying - you know, if they had the money to pay for this, they were jumping the queue or something.

MR LANGFORD-JONES: I guess there's that argument, but there's going to be less stress for the council employees and less angst amongst the builders or whoever. I guess that's private industry, isn't it? It happens all the time in different areas.

MR BANKS: It probably means other parties will get faster service.

MR LANGFORD-JONES: Yes, exactly. There will be less stress on these, and most of them seem to be young kids. When I say young kids, they're in their 20s, straight out of university and they go by the book. They're too scared to make a decision half the time and they get a lot of flack; a lot of people are not happy and so they're under a lot of stress. I think it's a great solution.

DR SHANN: I assume with many of these regional ones you might not have a problem with neighbours objecting in the same way as you would, say, doing something in Bayside.

MR LANGFORD-JONES: No, you don't. You don't have that.

DR SHANN: So it's just far more straightforward in terms of - - -

MR LANGFORD-JONES: Yes, like the lady with the 20 or 30 acres or whatever it was. She's got no neighbours. No objections, no neighbours, no anything.

MR BANKS: But she must have a road going by, where people could look out and see her house.

MR LANGFORD-JONES: Well, she had to put a sign up. There is a road. Yes, you can see the house, but you see that everywhere. That's why she bought the block, because of fantastic views like this. She's now building down the bottom of the road. She's got no view, and she's not happy.

MR BANKS: And it took eight months to find that out.

MR LANGFORD-JONES: It took eight months. She's not happy.

MR BANKS: All right. Look, thank you for that. Is there anything else you wanted to tell us? I think that's a useful individual example of the broader problem that we're hearing, so it was good to have it actually documented. By the way, did you specify when this actually happened?

MR LANGFORD-JONES: Well, we've now got a permit on that - the lady with the 20 acres. The South Gippsland and the Shire of Bass, especially South Gippsland, which is Venus Bay - I think that the solution should be just, "Do these things and you get a permit. Go outside those things, well, you've got to go through planning." But why wait eight months to find out what you're going to be told anyway? It's just commonsense, to me. Maybe I'm wrong, but that's how I see it.

MR BANKS: Well, we think there's probably some commonsense in there as well. Okay. Thank you very much.

MR LANGFORD-JONES: Thank you very much.

MR BANKS: We'll just break for a minute before our next participants.

MR BANKS: Our next participants this afternoon are the Housing Justice Roundtable. Welcome to the hearings. Could I ask you, please, to give your names and your positions or affiliations for today's purposes. Thank you.

MR PULLEN: Thank you, Mr Chairman. My name is Barry Pullen. I'm one of the three co-convenors of the Housing Justice Roundtable. I also work part-time in a pro bono capacity as a consultant to Good Shepherd Youth and Family Services.

MR BANKS: Good. Thank you.

MR BURKE: My name is Terry Burke. I'm one of the joint convenors today, as well as being professor of urban studies at Swinburne University of Technology.

MR BANKS: Thank you.

MS JOPE: Sally Jope. I work at the Brotherhood of St Laurence and I'm a member of the Housing Justice Roundtable.

MR BANKS: Thank you very much for taking the time to be here and discuss these issues with us today. You provided a submission in response to the discussion draft, and you also provided a submission on the first round, for which we thank you, and we may have some questions on that earlier one as well. Why don't I hand over to you to make whatever points you'd like to make to begin with.

MR PULLEN: Thank you, Mr Chairman. I must say, to begin with, we welcome this whole inquiry because we thought that there's really a serious deficit in public debate on housing issues in Australia, and we have spent some time trying to raise the issue that there was a strong and emerging housing crisis which particularly affected low and moderate-income families. I'll just spend a very short time perhaps just reminding you of what the Housing Justice Roundtable is. We're not a high-profile organisation, but we have been in existence about eight years. We think we fill a need to have robust discussion in the community, in local government, and also to some extent in the industry and the union sector. We don't receive government funding. We don't seek government funding. We usually meet at different locations. Our hosts might be councils, might be the Real Estate Institute, might be a university or it might be a large community organisation. Our agenda changes. I guess our philosophy is to try and bring economic and social issues together, in a way that can contribute to public policy, and we encourage robust debate.

This means that not everybody who's in our umbrella agrees, but I just make it clear that it is quite a wide umbrella, and in our first submission to you, it was up to members whether they used the material that came out of our discussions for their

own submissions, or whether they signed on to our submission. The people who signed on were Anglicare, the Brotherhood of St Laurence, City of Port Phillip, Council of Homeless Persons, Good Shepherd Youth and Family Services, Hanover Welfare Services, Melbourne Affordable Housing, Northern Homeless Network, Salvation Army Community Housing Services, Tenants Union of Victoria, Terry Burke, as an individual academic, Victorian Council of Social Services and the Victorian Local Government Association.

When we put out an information-type paper, we usually had the support of the whole membership and often we have a caveat that people may not agree with a particular thing. In the case of making a formal submission to you, we felt that people had to commit themselves to it, so we didn't attempt to have any ifs and buts. We were very pleased with the way the inquiry was being conducted, but there comes a point - we are quite concerned and disappointed with your discussion draft. Perhaps to make today's point, we should get on to that.

We think for a start that you have not sufficiently taken on board the depth of the problem facing low and moderate-income families in entering into first home ownership. We think that it is not a cyclical situation. It is much deeper than that, and we think your own evidence, and some of the evidence provided to you by well-informed and responsible bodies such as the Reserve Bank, have really echoed our own concerns. I just point - you probably have seen it - to a statistic which is available from your own publication on the graph which is on figure 2.10 and the table box 2.2. That seems to drive this home. From there you can extract that the participation of first home buyers from 1992 to 2003 has dropped from approximately 20 per cent to something like 13 per cent. But if you combine that with the statistic that you provide in the box 2.2, where the presence within that participation of 20 per cent of first home buyers of people in the fourth and fifth highest quintiles of Australian gross income occupied 50 per cent, the words are "more than 60 per cent of the reduced 13 per cent participation rate is confined to the fourth and fifth highest quintiles".

If you reverse those statistics, what it means, really, is that whereas you could argue that some 10 per cent of Australians in the bottom 60 per cent - not even down to half - were participating at 10 per cent, now that is below 5 per cent. If you were to look at it from calculations made, it's probably closer to 4 per cent for people who are below medium incomes. That's just incredibly low participation rate, and at that rate, first home ownership is on the way out, in terms of a significant opportunity for many families of the generation now seeking to get first home ownership. I think if you compare their opportunities with the opportunities that we had in our age generation, they're just incredibly reduced.

What we want to say to you then is that you received evidence - and we were

one of them - that part of the cause, if not the prime cause of this - there are many underlying causes but the prime cause at the moment is the growing presence of investors and people who already have established capital and established homes participating in the market, and that is really lifting prices and crowding out the opportunity for first home buyers, particularly first home buyers who are in those lower income brackets - not at the bottom, but moderate incomes. We are concerned that in this section where you discuss this you haven't really dealt with it in a way that you could interpret as being a strong recommendation to the government, that this is a point that arises from this inquiry and requires government action.

We realise that the change in that taxation area is quite sensitive, politically and socially, but the evidence of the Reserve Bank was pretty clear that, compared to other countries, Australia has quite a generous taxation regime for people who are investing in housing, not because they need a house to live in but because they see it as a more attractive way of earning from the capital that they have, from the stock market and other alternatives. It's clear from the example that the Reserve Bank and others have provided, and our own calculations, which we wouldn't claim to be as much in-depth as the Bank's, that people are participating in that with often low capital and purely on the basis that they will make a capital gain over a relatively short term. They're not contributing to the supply side. A lot of the activity is concentrated in the existing market and this is making it extremely difficult for people who are saving for a first home to enter that market at a reasonable level.

I just want to conclude with this point, which is probably the strongest point that we want to make today: that we had high hopes of this inquiry in the sense that we believed that on the record of the commission's work it would be a very significant, well-researched and rigorous inquiry. We feel that the major political parties are not going to move to make significant changes, even modifications, not taking out negative gearing but simply moving them into a situation which is more in keeping with that which pertains in other countries, and shaping them so that they don't have such a disastrous effect on the market. We don't believe that either party is going to move on that because of sensitivity unless there is, in the public domain, a very clear and independent voice which is based on evidence and based on rigorous research. That's what we hoped for from the commission. We don't find it in your draft report, and that's very disappointing. We feel - and this is maybe provocative to say it - - -

MR BANKS: Even more provocative to say it.

MR PULLEN: We do have a lot of people that we have contact with in our organisations who are academics and working in various community areas. Some of them are holding back now because I guess they see that the commission is maybe being perceived as doing a job of really attacking the states on stamp duty, rather

than providing the rigorous response that might make a difference. So they're thinking, "Is it worth it?" Now, we don't necessarily think that, but we're raising it because that is a widely held perception now in the circles that we move.

MR BANKS: Could I just make a couple of points, perhaps about your less provocative accusation. Could I perhaps suggest that you haven't read our draft closely enough? It's not as big a draft as some of the doorstoppers we put out, but there's a fair bit of reading in the tax chapter and I believe in that chapter we've substantively met your challenge, and I quote, "As a bare minimum, we urge the commission to point out the connections between taxation and increased demand in price to the government and recommend, given the limited time available, appropriate follow-up processes to examine alternatives." That's precisely what we've done. Indeed, perhaps even more so than the Reserve Bank, I think we indicated the important ingredient of the discounted capital gain treatment that came into play in the late 90s as a particularly important ingredient in the second wind, as we called it, in the housing market that occurred. As you know, the bank placed great emphasis, as we did, in the first part of the boom on the macro-economic conditions of low interest rates, greater accessibility of capital and growth in incomes, which explains a bit part of what happened up until the late 90s.

These tax arrangements I think we pretty clearly identified as being very important in the second surge that occurred in the late 90s and going through into more recent years. We can do that more clearly. We obviously haven't done it clearly enough, and we probably can bring it forward more into the overview and make our diagnosis of the problem more clear. In part, this was a discussion draft designed to float those ideas and get more information that would allow us to go to the next step. The bigger question for us is what we could credibly recommend in relation to what is a very complex interaction between different parts of the taxation system, both with each other but also with other asset classes.

We have a participant tomorrow who's a specialist in tax accounting, who's going to talk to us about how special housing is. He concedes that there are issues in common across particularly passive equity investments and so on that need to be thought through. I took it on your own words there that you've acknowledged some of that, and what you are wanting us to do is put it up in lights as an important issue for consideration. Now, I think we've done that. We will certainly be thinking of how we can best address that in the final report. Anyway, I say that in our defence, and, as I say, perhaps there are aspects of the draft report that you've missed in drawing that verbal conclusion, if not the one that's written in the thing.

The only other thing I would say, if you give me a moment, in relation to stamp duty is that we didn't see stamp duty as a big part of what has happened to housing affordability. However, what we possibly underplayed and what others are telling us

in this round of hearings is we haven't probably emphasised enough the role that stamp duty can play in terms of access to home ownership in terms of the deposit gap. So while as a percentage of the total price it's not high, as a percentage of the deposit that someone needs to get into home ownership, to the extent that it's not explicitly recognised by the bank, then it is a significant issue for people struggling to get enough money to get into home ownership.

I think we talked about it being a problem of lock-in, particularly in the context of governments wanting to have a more sort of condensed or higher density urban environment; the incentive it was giving to people, or disincentive to sort of move to more suitable accommodation we saw as a problem. We didn't see it as a first-order problem but we saw it as a problem nevertheless.

MR PULLEN: There are a few things to cover, chairman, and that to some extent, I suppose, is encouraging in terms of - you're saying that you haven't ignored the question of the taxation regime, but to just draw a parallel between the two points you made, rightly or wrongly we have interpreted the section where you have the discussion about negative gearing and the federal taxation as being a move to have another look at it, whereas when you come to stamp duty, which you perhaps are saying and the Reserve Bank is certainly saying is not anywhere near as significant in terms of the impact on the market at the moment, you go further and you actually suggest some moves that might be made, alternative taxes that would be put in place and how the revenue of the state could be maintained.

What we would like to see you do, without necessarily putting a particular recommendation, to show that it is possible, using other ways of looking at negative gearing where it might be related to whether it's an existing situation or whether it's being a new dwelling where it might encourage supply, that the scaling of it might be adjusted, the timing could be adjusted. There are a number of proposals around which are far short of actually taking away the intended philosophical reasons for having negative gearing and you haven't put them on the table to take the debate to the stage where people will look at the pros and cons of that, perhaps see that it's not as disastrous as when Keating floated it and when it sometimes gets sort of fairly crudely raised, and that there is a management regime possible and that people that are concerned about it from industry and others could have a look at what the impacts might be.

Now, we really do - I suppose we're expecting - because we don't have many other people around, really. I mean, you're the only game in town in that sense that's really having a hard look at these things. In terms of public policy we would like a bit more teeth in that area even though, as you correctly pointed out, we're not actually asking you to put forward the particular taxation scenario that's adopted by the government. I guess that's probably as far as I need to go on that.

If I move quickly to the other point - and my colleagues would probably like to speak and not let me speak all the time - we think there is also an opportunity to improve the supply of affordable housing on the basis of providing an instrument that allows people who are not investing so much for short-term and capital gain but want to invest in housing over a longer period of time and value the certainty and security of the return but are prepared to take a lower return over a longer period of time - superannuation funds, of course, and other institutional funds.

There has been quite a consortium and a consensus, we see, stretching across industry, the ACOSS, the welfare groups, unions and many professional organisations that such an instrument could be very valuable and supported. A bonds-type scheme is the preferred option. No others have been explored. We think that there is a lot of benefit in having such a source of funds from the private sector and we see it as contrasting that if some of the funds that are around that want to invest in housing, instead of investing in the share market where they might fear there is more risk - that there is no alternative for them, perhaps to be going to this fairly short-term kind of area and taking advantage of the taxation regime.

We feel that the two need to work together; that if you're managing to take away part of one which is distorting the investment in housing, and crowding out the opportunity for first home owners, that some of that money could properly go into a managed scheme. So other people, I think, have documented that better than we have but we want to make it clear that we think it should be supported and it's part of the same issue.

The third thing - and you have touched on it, Mr Chairman - is the treatment of stamp duty. We put an appendix to our previous submission, showing that the Victorian state government could adjust its scales to the benefit of people on low and moderate incomes who are getting, even though they are small amounts, into first home ownership and basically do it on a revenue neutral basis - from the data and the distribution of the prices that we had available. We also have made the point - and they're aware of this submission, the state government, anyway; we have approached them on it - that some of those funds, those quite substantial windfall gains they have, could be directed to a range of housing programs. We wouldn't mind if you raised that with them. We think that would be quite appropriate to give them a nudge in the use of the funds they have, but we don't think removing stamp duty makes a significant contribution to the current situation.

The fourth thing which my colleague, Terry Burke, is much more knowledgeable on than I am, but it's one that we have discussed a lot, is the importance of infrastructure provisions and the lack of a national focus and support. We think that, as you would see in this submission, it's extremely difficult to make a

lot of difference now in the cities where the land prices are so high and, as we say, the horse has bolted. We think that it's crucial that attention is given to improving amenity and opportunity in regional and outer suburban areas where the land prices and the house prices are still manageable and where the opportunities for people to live there are less and the public infrastructure - we accept to some extent the complaints of some developers that they shouldn't have to bear the costs of producing all that. We think there ought to be a national commitment to providing some of that public infrastructure that makes those areas more livable.

MR BANKS: Have you been talking there about social infrastructure primarily or just kerbing and guttering and roads?

MR PULLEN: No, we're talking about - perhaps I'll ask Terry to - - -

MR BURKE: Yes, Mr Chairman. Barry's points are (1) about a bigger, I think - not a problem but issue with the draft commission, which is understandable, but that's the reliance on aggregate data which ignores the sort of spatial variations in the affordability problem Australia-wide. One can argue we've got hot spots of declining affordability and cold spots, or markets which aren't performing as well, many of which are on the fringes of our capital cities but also in certain regional areas. Now, part of the intense demand in the hot spots is because of a perceived lack of amenity and attractiveness of the more affordable areas.

So households are actually making a decision to locate in, say, the inner urban area of Melbourne and trade off home ownership for private rental because they would rather have that than being a home owner in Dandenong, Broadmeadows or Frankston. They think that they're buying into areas of poor infrastructure, both social and physical. I think that's a very difficult dilemma for the commission's report to deal with because it broadens the focus of the study away from just housing per se to the relationship between housing and our urban form. That, as I said, is a very complex issue but it's not one that's unique to Australia.

I have just come back from a conference in Hong Kong, where a number of people were talking about this problem of affordability existing parallel with declining affordability and people steering clear of the affordable areas, which is why they're affordable. The market prices are falling or not increasing to the same scale as the inner urban areas and so you're getting bifurcated cities and regions in terms of their experience. There are two policy responses to that. One is to focus on making housing more affordable, particularly in the inner urban areas, but the other, which is what Barry's hinting at, is how do we improve the infrastructure in the cold spots so that people actually choose to move to areas which are affordable?

Some of that infrastructure is physical. These areas have been in decline for

some years and need some upgrade of the physical amenity: roads and indeed the buildings. But there is also the social: the schools and the human service facilities in those areas. Of course one of the major amenities is the employment opportunities and of course that's the dilemma. People are making associations between labour market performance and housing market performance. The hot spots of declining affordability are seen to be strongly performing labour markets, and areas of high affordability or low house prices are areas of poor labour market performance.

So in a sense some of the housing solutions do not just come from housing policies. They have to come from a broader set of policies which are essentially urban policies, not just housing policies. So we think there is an important need for an urban policy, or a national urban policy in Australia and, within that, consideration of infrastructure strategies towards improving outcomes in the areas of high affordability. We do have to acknowledge there still are areas of affordability in Australia and I think that's one of the problems, it actually doesn't give recognition to that spatial variation.

MR BANKS: Probably in the nature of a discussion draft we haven't dwelt on some things as much as we should, but we did include one chart in there that you probably saw which showed the variation in prices across cities. It was, I thought, astounding to see that some prices on average had actually fallen over the past decade in some locations, whereas they have increased by, you know, 15 per cent per annum on average over a decade in others. So, as you say, there is considerable variation. Now, the reason why some areas actually declined in value at a time of surging prices elsewhere is probably worth looking at. Just in the context of this inquiry so far it has not been possible to get to the bottom of that, but infrastructure may well - and, as you say, proximity to employment and these sorts of issues are - - -

MR BURKE: If I could, Mr Chairman, briefly allude to evidence to that, we have been doing a study for the City of Greater Dandenong which I would argue is one of the cold spots of Melbourne, even though there has been some improvement in price in the last two years. It illustrates the problems of too-high affordability. Our study was actually a perverse one in the sort of history of housing studies in Australia, which was how to make this area less affordable basically. It had become so affordable that what it was drawing in is all the low-income households. We looked at movement of households in census periods, and 90 per cent of the people moving into that municipality in the 1996-2001 census period had come from the bottom decile.

That, compounded over a period of years, is going to reduce the retail purchasing power of that area, in a sense the employment capacity, because a lot of these people are poorly skilled, so you just see a spiral downwards unless that is reversed. On the other hand, there is still very good infrastructure in these old areas

and with some support through some sort of program could resolve a lot of the affordability problems many households are experiencing. So that a young household instead of thinking, "We must be in Richmond or Hawthorn," or whatever, will say, "Let's look at Dandenong." We have actually done surveys and asked young people, "Why won't you live in Dandenong?" or, "Would you live in Dandenong?". They say, "No." "Why won't you?" "Its poor amenity, no job opportunities, rundown infrastructure," and so on.

MR BANKS: Thank you. I should give Sally an opportunity to - - -

MS JOPE: Yes, I would like to make a point following on from that. Even though you didn't say, Terry, I think the obvious answer to that is really improved public transport. I don't think improved road infrastructure is really going to assist people. People don't want to live in those areas because it takes so long to get to where the jobs are that it doesn't make sense to work there, especially if you're looking at a part-time casualised labour market where low-income households usually are situated. So if you've got a five-hour shift it's not really going to make sense to travel two hours.

MR BANKS: Would you say, though, that Dandenong was disadvantaged from a public transport point of view? I mean, it has the rail link, doesn't it, straight to the city?

MS JOPE: It has the rail link. I would suggest that the rail link could be improved. I don't know if any of you use public transport but once you're out of peak hour it's not very good and if you need to go from somewhere - I mean, the job might not be in the city centre or on the rail link. It might be north of the city. It might be west of the city. It might be in - and that's usually where most people are using their cars now, is to get from the house to the job where it's not directly linked by public transport. Improving public transport is going to have other advantages but I think, in particular, if we want to connect areas where the land value is still reasonably low, then investment in public transport is going to be a good thing.

We could then take advantage of other schemes and I'll take advantage of saying this, that I also think we need to stimulate investment in lower-cost housing for households - even below a sort of median income and down are pretty much being priced out of the housing owner occupation market, but also struggling in the rental market too. I appreciate that the commission looked at rentals and it wasn't in the terms of reference directly. I think we can't talk about owner occupation unless we remember that people have traditionally saved while they've been in rental housing to move into owner occupation. That's not the case any more. There are not many households that can save if they're renting, and there are a lot of households who are just struggling in renting and don't have much left over, you know, for their

other - - -

MR BANKS: Just on this - because we talked to the ACTU about this or they talked to us about it this morning - to what extent is there evidence or any empirical work or any information at all on the extent to which people in public housing have moved on into owner occupation? I was sort of under the opposite impression - that to some extent there wasn't a great flow-through other than where people are given the opportunity to buy the house that they're occupying. Is there any work, Terry, in that area?

MR BURKE: Mr Commissioner, that's almost a Dorothy Dixier. I've just got some tables here. No, one of the problems is that there hasn't been any exit studies in the public housing system to really know where they're moving to. We've just recently completed a study of 4000 people on the waiting list for public housing around Australia as to their expectations of why they're on the waiting list for public housing and what they intend to do. 25 per cent of them said that they wanted to enter public housing because they wanted to save for home ownership, which I think is a very important finding. It's not, as some people portray, a sort of housing sector of last resort. It is still seen by some as a stepping stone to home ownership. It's a minority, but it's a very important minority. It's almost a quarter. About 30 per cent expected to leave public housing within the next three years, and we asked them why they expect to leave and 54 per cent of them said to go into home ownership. I think that's a very important finding, in terms of the connectivity of differing components of the housing market to home ownership.

Private rental, as Sally suggests, and public housing are seen by many, in principle - perhaps not in practice; that's a dilemma; we don't know - as stepping stones into home ownership. So improving affordability, both in private rental and public housing - do become crucial, in a sense, programs for improving access to home ownership.

MR BANKS: Okay.

MR PULLEN: I can add to Terry's point there. I don't know whether this was raised with you, but one of the things that could result from the bond scheme is being able to expand the range of affordable rental for such a purpose. At the moment, people may not see it as final tenure but can actually save and are capable of paying rents which are reasonable rents while they're saving. With such a shortage of public housing, that kind of concept is very difficult because the criteria for getting into public housing is so tight that many of those people that would be on the waiting list that Terry was getting their desires from are going to stay on that waiting list, because somebody else who is seen to be in extreme need is going to take the next available spot because of the lack of investment in public housing.

I think what we're trying to do is to see public housing as part of the system, not an end point that you get to if you can't go anywhere else, and that we think there needs to be an injection of funds to do that, but to do it in a normal way, not a highly subsidised way. If you could have an additional source of funds, where people were paying perhaps a subsidised rent but a higher rent than in public housing for some of that, then you could create developments which were much more normal, in the sense of meeting a range of choices and needs, which is lacking at the moment.

MR BANKS: Okay.

MR BURKE: Briefly, if I can just say the interesting experience of Hong Kong and Singapore housing markets, where they basically use public housing as a stepping stone for home ownership - Singapore, in particular, has almost achieved 90 per cent home ownership by using public housing as, in a sense, the stepping stone and using super - - -

MR BANKS: That's a statistic I missed.

MR BURKE: - - - but - and this relates, I think, to this morning's submission - the use of superannuation funds for the residents to finance that process. That raises all sorts of issues, which I haven't got the expertise to get into, but I'm just saying that is possible. Other countries have used quite explicitly public housing or rental housing more generally as stepping stones to home ownership. Rent-to-buy schemes in the United Kingdom have also been important in recent years.

MR BANKS: That's a statistic I missed. I don't think we knew that 90 per cent of Singaporeans owned their own home, but it may illustrate another facet and that's, I think, that Australia - except for this very important area - has a relatively buoyant or strong rental component of the housing sector. I guess what we're hearing - impressed on us through the course of these hearings, if we didn't understand it before - is that it seems to be flourishing more at the top end than the bottom end.

MR BURKE: Yes.

MR BANKS: Understanding why that's happening and whether that reflects structural things that need to be addressed specifically, I suppose, is the challenge now as we move forward.

DR SHANN: Can I pick up on that point?

MR BANKS: Yes.

DR SHANN: In a sense, it's trying to understand why we had a boom in construction of rental accommodation in the last few years, when the question is why has most of it been at the top end? Just going to your original submission on page 4 under Depreciation Allowance, you've got a comment there, "Owners and operators of this kind of low-income housing" - I assume referring to multi-unit development - "are seldom able to use negative gearing to their financial advantage." Is this because they're not-for-profit organisations who tend to build this? Can you just elaborate on what you were saying in that - - -

MR PULLEN: I think part of that comment came from the work that Gavin Wood has done, in that many of the people that operate rooming houses and very low-cost or low-rent housing themselves are not people which have got high incomes. They've been sort of historically in that area. So they can't really use negative gearing effectively to offset their costs. They have to actually have a business plan that comes home on the basis of the rent that they actually receive rather than a business plan that relies on losing on rent, making it up by generous tax concessions and cleaning up on capital gains at some future date.

Understanding the housing market, I think, is plagued by all the sub-markets and all the things that are happening within that market. That's an explanation, I think, of where we're making that comment. We're not against subsidies, but we think that those subsidies should be much more transparent and it's clear in what the social outcomes and economic outcomes are of those subsidies.

MR BURKE: I'll just briefly make a comment on that. I think it was in 1999 an investors and landlords survey showed that the average income of landlords in Australia was lower than the average income of the tenants, which illustrated the highly fragmented nature of the industry and who owns it, but it means that many are not at the marginal tax rates to experience the full benefits of negative gearing.

DR SHANN: I wonder if that's still true.

MR BANKS: Good question.

MR BURKE: Five years on, there's been a lot of investment, and it's probably not true now, but it certainly was at the time of that survey.

MS JOPE: I think the traditional owners of lower-cost housing have been people who have - the house has been left to them. You know, it hasn't been a financial decision to invest in that property. There have been a lot of other reasons why they've found themselves to be landlords, and they're the ones that don't have the higher incomes and can't take advantage of those tax breaks. They don't owe anything on them either, often.

DR ROBERTSON: A lot of the anecdotal evidence we're hearing about these investors is quite often - they don't actually live in a palace and mortgage that, they live in quite a modest home themselves. They just happen to own it. It may be worth 2 to 3 hundred thousand. They go in and get 280,000 or whatever they can get on their own property and then buy a second property, which probably isn't - well, it's only going to be up to 250,000 or something. That's the sort of housing these people would rent, I would have thought. It's at the bottom end of the market. I mean, the expensive ones are out here.

MR BURKE: Still, the important point is the study that Maryann Wulff, Judith Yates and myself did two years ago, which looked at the low-cost housing end of the private rental market over a 10-year period and found that the low-cost market had - 38 per cent of the stock had disappeared within that 10-year period and virtually all the increase in the stock was in the top two deciles.

DR ROBERTSON: But that's a result of building up the city centres, isn't it? I mean, the hostels go, because they're usually sort of nineteenth century old places that - - -

MR BURKE: That's partly it, but the worst stock declines in the private rental sector were in regional Australia - in some of the country towns - and that is, again, picking up the notion of the complexity of housing markets and the need for a more spatial analysis. There are these huge variations. Home ownership is even declining in some country towns.

DR ROBERTSON: Where would they go? I mean, presumably people buy them and live in them. Is that it? You said the stock has been cut by a third.

MR BURKE: Well, the stock physically doesn't disappear. Houses don't vaporise, in that sense. A lot of the stock that was at the bottom end of the market has moved up or been converted.

DR ROBERTSON: Is now owned?

MR BURKE: No, it's been purchased by - and this is common; you see it around the inner city of Melbourne - the old strata units of the 1950s, which were much of the low-cost stock, are being purchased and rebuilt or redeveloped as high-end apartments. So that removes your stock from the low end of the market - much more up-market. In country towns, yes, a lot of it has gone. Some of it has gone into home ownership. A lot of it has actually gone into holiday houses. How you actually categorise that as a tenure category has always been beyond me, but you find some country towns - particularly coastal ones - now where a substantial proportion

of their stock is in holiday houses, and that's putting enormous pressures on both the private rental market, as affordable housing, and on home ownership for the local residents of those coastal areas.

MR BANKS: Okay. I don't think we have any other questions. We'll take into account the various points you've made and the opportunity to, for the final report, go back through your earlier submission too, which will be helpful to us. If you don't have any other comments to make - I'll give you that opportunity though if you do.

MR PULLEN: The submission we made for you today - we called it an outline, because we didn't complete our usual process of emailing it out to our membership and getting it ticked off. We had to do that in the time frame, which was our fault, not yours. We were under the impression that we would come and talk about our first submission, but we've caught up with that, and that was quite reasonable, I think. We appreciated that you wanted a response to your draft report. What we'll undertake to do is to complete that process and get you a response by the end of this week, which would be suitable to be treated as our second submission.

MR BANKS: We won't formally call this a submission yet, but the one we put on our web site will be the one that you'll send us in a week or so.

MR PULLEN: Yes, which won't be a new submission. It will be based just on some comment from our membership.

MR BANKS: Thank you very much anyway. We've had the benefit of a discussion of what will be in that document now, so that's been great. We'll just break for a moment.

MR BANKS: Our next participant this afternoon is the Australian Currency Taskforce. Welcome to the hearings. Could I ask you please to give your name and your position?

MR SHERMAN: Peter Sherman. I am the principal, Australian Currency Taskforce.

MR BANKS: Could you perhaps first explain to us what the Australian Currency Taskforce is?

MR SHERMAN: Briefly, we specialise in extricating borrowers from their low-income housing schemes. In other words, there is quite a large amount of litigation going on, as we speak, dealing with events that were originating 20 years ago.

MR BANKS: All right. Thank you for attending today and for the submissions that you have provided, one earlier on before we put out our discussion draft and one that is perplexing me a little bit. I'm not quite sure what we have here but perhaps you can tell us. It arrived very late.

MR SHERMAN: Yes. It is a one-page outline of the key points that I intended to make today but Mr Pullen and others have stolen my thunder somewhat, so I'll be perhaps briefer than I would have otherwise been, and on the point. Do you have that one-page key points in front of you?

MR BANKS: I do, yes. I have that.

MR SHERMAN: Point 1 simply refers to whether or not the draft report falls within the terms of reference as provided to the commission by the treasurer, and to that we say that we found the terms of reference, although not being perfect, but quite precise as to what was required of the commission to deliver. We found that for a number of reasons, in our view, the draft report isn't sufficiently precise to answer issues raised in the terms of reference or make any recommendations arising therefrom. For example, it appears that every time reference is made to the content of the terms of reference a different interpretation appears.

Even in the commission's own publications - I've got three copies here - there appears to be a variation within the interpretation of the terms of reference from page 1 to page 2. It is varied again in the overview of the commission's draft report. For example, the terms of reference as sent by the treasurer specifically state on one issue alone that the commission -

is required to identify any impediments to first home ownership and

assess the feasibility and implications of reducing or removing such impediments.

On page 1 of the overview, the terms of reference under the heading of What Has The Commission Been Asked To Do? - the variation is What has happened to affordability for the first and other home buyers in recent years? Well, that is not what the terms of reference are asking the commission to evaluate. They do not refer to recent years. They refer to a point in time at the time of the reference being sent to the commission. Now, what we are saying is that instead of concentrating on the last two, three, five years, the commission should have looked back at least 20 years to the last time the First Home Owner Grant was provided through the federal parliament, and that was the First Home Owners Act 1983. If one was to evaluate the events of the last 20 years it may very well be that the conclusions reached by the commission on the information based over the last five years would have been quite different.

MR BANKS: You mean specifically in relation to the first home buyer's grant?

MR SHERMAN: Absolutely. That in isolation, as well as how the questions raised by the treasurer in 2003 were approached by the then treasurer in 1983, and what the response was to the First Home Owner Grant and what the consequences are to date to those who availed themselves of the grant and to the low-cost housing ownership alternatives. It's an ongoing process. These loans are still live and they are still problematic. So that's as far as the first point - in fact, the first two points are concerned.

Perhaps I should explain in point 2 what the commission should have done. We say the commission should have researched the problems associated with the placing of low-income borrowers into housing loans, particularly low-income borrowers who were once tenants of the Ministry of Housing, because they were the main target group back in 1983.

MR BANKS: So this was the process that the ACTU was talking about, whereby people in public housing were offered the opportunity to buy their homes?

MR SHERMAN: Yes. It was the majority of them. I think this is what Dr Shann has raised with the ACTU and couldn't get an answer from them.

MR BANKS: Because you are casting doubt on whether this has been a successful process, or not?

MR SHERMAN: Well, it sort of hasn't. The whole arrangement has collapsed some time ago and this is the Treasury Corporation Housing Act 1995 that put an end

to one part of the housing scheme that originated in 1983 onwards. Perhaps I should pass it to you.

MR BANKS: Good. Thank you.

MR SHERMAN: What the act did was to liquidate a loan provider called Home Opportunity Loans and transfer the liabilities of that company to the director of housing. Two years after this act was promulgated, the whole of housing along with the portfolio was absorbed by the Treasury of the state of Victoria. As we know, Treasury is not subject to the auditor-general's reviews. There were numerous problems with these loans, not only in Victoria but all around Australia. The scheme in New South Wales has collapsed particularly, with 60,000 people affected. This was the report by the New South Wales parliament. I must say that, with slight variations, the same people were advocating these schemes who are advocating it now through the Menzies Research Institute.

The only party absent at the moment is Arthur Andersen, who are no longer with us. Arthur Andersen controlled the Victorian scheme. It controlled the New South Wales scheme and I believe it controlled the Western Australian and the South Australian schemes, as well. The same firm of solicitors also controlled all these schemes, who are now involved in defending various governments against the aggrieved borrowers. There are currently four cases in the County Court of Victoria from the aggrieved borrowers, who had their loans for the last 15 years, for alleged breach of trust and concealed fraud on behalf of the state. These cases are coming up for trial in the second half of this year.

MR BANKS: Could you speak possibly in general terms about the nature of the problem that has arisen in relation to these schemes?

MR SHERMAN: It's a multi-layered problem. The main allegation was that what was promised to the borrowers was not delivered, in terms of where loans were advertised and offered at 3 per cent interest, and the fact that that was combined with the rate of inflation. Part of the interest rate component was not made clear. So you had a situation where people would enter the loans with repayments geared to the 25 per cent of their income, whatever that income might have been, and assuming that they would be repaying their loans within the normal credit foncier period, which is about 25 to 30 years. It turns out that - if I can use the expression - the mortgage meter ran much faster than they were made aware that it would run and they were repaying much slower than the credit foncier loan would require, with the result that all these people ended up with huge balloons in their mortgages. That brings me to the next point.

DR SHANN: So these were foreign currency loans we're talking about?

MR SHERMAN: Well, it's a very good point that you raise. No, these were Australian loans provided for by the foreigners. That takes me to the second part of what I'm saying. Now, the bond holders who were providing the funds were on Wall Street and all around the world, as well as Australia. What happens is that you have this road show - and I know that Dr Shann is aware of that - that travels from place to place. It's a bit like a baccarat game. In places its money on the table, wherever interest rates are moving upwards. As soon as the rates have peaked they want their money back. That is what happened in Victoria and New South Wales. As soon as the rates had peaked, mortgages began being recalled. The reason given for the recall was that mortgages were no longer viable and people were encouraged by the government to surrender their properties or to sell up.

I think two years ago a report was prepared for the Victorian borrowers, who were also in the midst of class action against the Victorian government. This is an actuarial report into the financial arrangements in the Victorian housing schemes. I have provided that in electronic form to the commission. The main concern that we have with what is being proposed now is that we are in the throes of Homefund MkII, and it is my duty to sound the alarm bells to the commission that the whole reason, (it appears) for this inquiry, is to obtain a rubber stamp for the proposals which were canvassed by the Home Ownership Taskforce last year.

If I can take you to an article produced by them, which is known as An Open Letter to all Housing Finance Constituents, I also provided that to the commission in an electronic format. It is signed by about 11 luminaries in the field of economics. Whereas on the one hand they argue that by reducing the proportion of ownership of residential property they thereby reduce costs to the borrower, somewhere else they write that, "The proposal is equally attractive for institutional investors," and that their analysis "indicates that there is a sizeable valuation wedge between the prices placed by occupiers and investors on a residual stake in the business." In other words, it may well be that should a shared property come up for sale, the silent partner will have a different idea how much a property should be sold for to that of the resident. They say further that they believe that such "gains from trade" present prospective institutional participants with exceptional wealth creation opportunities. Further, they say that for that reason the academics recommend the Caplin and Joye proposal as deserving of extremely serious consideration.

I put to the commission that the motive behind the Caplin and Joye proposal has absolutely nothing to do with affordable housing. The process is exactly the same as was employed in the early 80s when the housing schemes of that era were being put in place; only at that time these people used things like the Campbell Committee of Inquiry and their recommendations for the secondary housing market, secondary mortgage market, and the Martin report that confirmed the findings of the

Campbell Committee.

They've also used an institution known as the Australian Institute of Family Studies to provide them with an academic footing, if you like, for their proposals. If you look at the - and I hope you have a copy of the Menzies Research list of participants in the Home Ownership Task Force - if you go past the Executive Committee and past the Academic Advisory Committee, past the Socioeconomic Advisory Committee, you end up with the Industry Advisory Committee, and they're the sponsors for the Home Ownership Task Force.

You'll find people like the ANZ Bank, who was distributing 1983 loans; you'll find Booz-Allen Hamilton, who were advising the Victorian government on the low-cost housing loans; you'll find Citibank, or Citigroup, who are now the parent company for the Salomon Brothers, the investment bank that ran the Sydney operation of the Homefund, and Merrill Lynch ran the Victorian operation. You'll also find Commonwealth Bank of Australia, who ended up with all the state banks of the 1980s; you'll find HomeStart Finance, who were a shareholder in the holding company for the Victorian scheme; you'll find JBWere taking a position and who will soon become Goldman Sachs' investment bank.

You've got Macquarie Bank, also a shareholder in the Victorian scheme of the 80s; you've got Phillips Fox, solicitors who had a contract in New South Wales to lead the borrowers out of the scheme; you have Resimac, which is a new name for Fanmac Ltd (that was absorbed by Resimac) which was the main holding and fundraising entity of the New South Wales scheme; you've got the Westpac Bank, who are also the main shareholder in both states and you have Wizard Home Loans, whose main shareholders were bond holders in the New South Wales scheme.

In other words, we have the same crowd, as an example for this turn, perhaps under different names. What they want is to get a recommendation from this committee, and we speculate that it may well be one of the main reasons why this commission had the reference from the treasurer that it did - this is to recommend that shared home ownership is the tool in 2004 to deal with rising prices of real estate.

That brings me to the question of price. We have heard a lot from various people here making submissions about the costs of housing and very few made any submissions with regards to price of housing. It would be our submission that the price of housing is very much dependent on the availability of funds thrown towards the buyers, whether it will be the government funds by way of tax deductions, credit, by way of negative gearing, various subsidies and grants - all of them, and each one of them separately has a detrimental effect on housing prices.

It is also our view that attempting to play a catch-up game by bringing more people into the market with government assistance will not solve the problem; it will only exacerbate it. What we're seeing now has not occurred in the last five years or three years but it has been continuing, as Mr Pullen has suggested - it is a continuing problem; it's been going on for at least 20, 25, 30 years. What we're seeing now is almost the culmination of it, where young people can no longer afford buying into the market. We would suggest that only drastic measures, of the kind that was put in place by the Victorian Consumer Affairs, by prohibiting dummy bidding at auctions - things of that nature would have a drastic effect on rising prices. Prohibiting dummy auctions or dummy bids has already had an effect. In other words, we are suggesting that regulation is the key to try and cool down the overheated market.

However, there's one problem that perhaps hasn't been mentioned by others, and that is that those who borrow money for housing have clauses in their contracts which adversely affect any variation or drop in price of the security. It might well be that we may witness some mortgage call-ups (or margin calls) as a result of slowing down in the auction activity. That's something that we say the commission should consider because the figures, the numbers, are such at the moment that even the slightest distortion to the price creates a huge hike, and the results are much more visible, or the prices appear to be much higher and rise much faster, because of the amounts involved.

Last, but not the least important, we take the commission once again back to the commission's own act of parliament, to section 8, general policy guidelines for the commission. Without reading the whole section, we say that it appears that the commission has a statutory obligation to act in the best interests of consumers and, in fact, in the best interests of the entire Australian community. We say that it's not enough, as the draft suggests, that perhaps it may have been an approach to simply put the facts on the table and say, "Well, it's a cyclical situation. Prices have gone up. They will fall." We say it's not enough. We say that it appears that the terms of reference intended to receive - back from the commission - direct recommendations as to how the problem should be dealt with, and it appears at the moment that the draft isn't precise enough to give any direct recommendations to the government.

MR BANKS: Could I take it that you have one recommendation - that is, we should recommend that dummy bidding be prohibited - but I haven't picked up any other implicit recommendations from you so far.

MR SHERMAN: Where do I start? The reason why I gave an example of dummy bidding is because it appears to be the most visible and the most effective way. In other words, what I'm saying is regulation appears to be the key. Waiting for the market to turn or to try and encourage markets to do something when it's overheated and overcommitted and not viable, or to bring others who are vulnerable and

unsuspecting into the fold, would be contrary to the commission's obligations under the law. You simply cannot recommend new housing schemes for low-income borrowers. It would be highly irresponsible.

MR BANKS: So you're saying we shouldn't recommend - - -

MR SHERMAN: You should not - - -

MR BANKS: Before you were telling us we should recommend some things, but now you're - - -

MR SHERMAN: No, you should not. You should not recommend that.

MR BANKS: Okay, all right. So far so good then.

MR SHERMAN: Yes. Just to give you an idea about the scope of what is occurring right now - this is known as the shame book. It contains the press treatment of the problem.

MR BANKS: Could you just repeat what you said, please?

MR SHERMAN: Yes. I have just passed on a display book containing press treatment of the matters raised earlier, and you can see on the front page, the Uniting Church being involved or becoming involved in the plight of borrowers in Victoria and intending to assist the borrowers in the class action against the government, even after the government has offered to reduce the overall liability of the borrowers by about \$80 million in the next five years.

MR BANKS: Could I just put this back in context again.

MR SHERMAN: Certainly.

MR BANKS: Just get you to explain what your role is in relation to these various actions. You said you were representing some people who have been - - -

MR SHERMAN: That is correct, yes. Assisting them. There are also problems with the accounting related issues to do with these loans. There is gross overcharging in these loans and these things need to be recalculated and reconstructed to reflect the intention of the original mortgage documentation. If you multiply that by the number of years of them being mishandled, you can get an idea of the magnitude of the problem.

DR SHANN: Are you are a legal representative of these people, or are you

providing research advice?

MR SHERMAN: Litigation support is probably a good way of putting it.

MR BANKS: Just to take this a step further, have you had any personal problems yourself in relation to these schemes?

MR SHERMAN: Yes, I believe there could be articles to that effect in that book as well. Yes, I've been involved in this since 1988.

MR BANKS: As someone who took out one of those loans?

MR SHERMAN: No, I was actually asked to look into someone's loan quite innocently and then it become unwound and I took it from there on.

MR BANKS: I see, okay. Good. All right, thank you very much for that. We're getting near the end of our time. I don't have any further questions to ask. The information that you've made available to us here - which of those documents - what we should perhaps do is note these documents that you've given to us so that we can follow them up separately. If there are any things in this black/navy blue file that you think would be particularly valuable to us, perhaps you could indicate those, we could have them photocopied or - - -

MR SHERMAN: I'm quite happy that you retain them and photocopy whatever you need and then perhaps I can - - -

MR BANKS: And we can send it back to you.

MR SHERMAN: Exactly.

MR BANKS: If that's okay. All right, so thank you very much. We'll break for a moment. I think we're going to have afternoon tea and then we'll have our next participants after that. Thank you.

MR BANKS: Our next participant this afternoon is Darebin City Council. Welcome to the hearings. I will just get you to give your names, please, and positions with the council.

MR MENNER: Glenn Menner, senior social policy and planning officer.

MR BANKS: Thank you.

MR McIVOR: Roderick McIvor, manager of social policy.

MR BANKS: Thank you very much for taking the trouble to appear here today. You also provided an earlier submission which was very useful and I would just give you the opportunity to perhaps go through the main points in reaction to the discussion draft and we will have some questions for you after that.

MR MENNER: Thank you. Just a bit of background and context to the city of Darebin. It's a municipality located in the inner north of Melbourne. In terms of its population makeup, it is culturally diverse, with an Asian population, at the same time experiencing relatively high levels of socioeconomic disadvantage and poverty, albeit coupled with increasing levels of gentrification with higher income groups moving into the area. In terms of specific housing indicators, Darebin has slightly higher than the Melbourne metropolitan average proportionate households who fully own their houses: 43 per cent as of 2001; at the same time, relatively lower proportions of households compared to the Melbourne metro average currently with a mortgage that is around 18 per cent. Those figures are also in Darebin's written submission to the inquiry.

Also, Darebin has been characterised traditionally as an area with relatively high levels of rental housing, both private rental - which is around 25 per cent of the households in Darebin - and also public rental housing, around 6 per cent of households in Darebin. What we've also seen in terms of housing activity or recent housing activity is that house price increases across the municipality have roughly been double the Melbourne metropolitan average between 2001 and 2002. There has also been a corresponding impact on private rents at the same time, albeit in different parts of the municipality.

So essentially the key trends that have been played out in Darebin at this point of time - and council's concern in particular is the barriers that many households are currently experiencing in accessing or maintaining home ownership, obviously due to the rapid increases in house prices I have just indicated in the private market, but also an ongoing trend of reduced government funding for social housing. By social housing I mean both public housing and community housing which is funded by government through the Commonwealth-State Housing Agreement, which

essentially means that there is a particular group of low to moderate-income households who are essentially forced to rent privately, or will be renting privately in the longer term.

So essentially what that means is that for Darebin, given its relatively high levels of socioeconomic disadvantage and traditionally being a repository of relatively low-cost housing, there is a critical lack of affordable housing options and for particular groups, in terms of access to affordable housing at the lower end of the private rental market, but at the same time I suppose with increased targeting of social housing and reduced funding for social housing. But it means many of those households who may have got access to public and community housing in the past essentially aren't able to so, if you like. There is a particular group in society or particularly in Darebin who are finding it increasingly difficult to access affordable housing.

In terms of the broader trends, I suppose, as I mentioned at the outset, Darebin is one of many inner to middle ring municipalities experiencing the process of gentrification but also, when that's coupled with government policy objections such as urban consolidation, it means that there is a tension I suppose - and particularly in terms of council's regulatory planning role - in terms of encouraging medium-density housing in established areas to maximise both physical and social infrastructure but at the same time maintain residential amenity, which in this case also includes maintaining relatively affordable housing.

Ultimately, what these processes and indicators are telling us is that in the future with increased gentrification there will be further displacement of low-income households on the urban fringe but also, at the same time, increased social polarisation between income groups within Darebin, which means that there will be differential access between particular socioeconomic classes to essential services such as employment, education, health and also access to housing.

I will comment now on federal and state government policy responses, including responding to some of the findings in the discussion draft. Essentially, in Darebin's submission we argued for a range of policy interventions including development of a national housing strategy, review of the first home buyers' grant, negative gearing and stamp duty arrangements at federal and state government levels, also a review of the Commonwealth rent assistance and increased funding under the Commonwealth-State Housing Agreement to increase supply of social housing and also at the same time looking at possible incentives for private sector investment in affordable housing.

Those recommendations have been based on the argument that, by and large, governments in Australia traditionally provided greater subsidies, mostly indirectly

through the taxation system to home owners more than more direct forms of housing assistance, either be it through the first home buyers' grant or through direct provision of social housing.

As a consequence of that, and getting back to the main focus of this inquiry on access to home ownership, Darebin's assertion is that because of the nature of market forces, without some form of government intervention it's almost impossible to maintain affordability in the private market, particularly in areas where there may have been relatively cheap low-cost housing in areas such as Darebin in the past.

We're seeing the process of gentrification is essentially not just in Melbourne but most metropolitan areas, which essentially means that that concept of affordability is constantly changing over time so it's impossible, if you like, to lock in a prescribed notion of affordability or lock it into perpetuity. So what we're saying is essentially for government intervention it's necessary to provide some form of affordable housing essentially in terms of increasing funding for social housing. It's a counterbalance, if you like, to housing market boom and bust cycles.

I will talk briefly now about local government roles and acknowledge the point made in the discussion and draft that local government roles in housing are by and large quite limited. Certainly in the case of Darebin City Council it is not a direct provider of social housing. It has limited powers to intervene into housing markets. But having said that, council does have a number of key roles beyond just being that of a regulatory planning authority, particularly in the areas of what we call forward planning in terms of strategic land use planning and social planning; also in terms of conducting research, coordination, facilitation and advocacy. I will just talk about some of those roles in a bit more detail.

In terms of council's planning roles, I have indicated that good strategic planning is really essential to ensure that the economic benefits of housing development are balanced with both the environmental, social and cultural considerations that has brought the community health and wellbeing. So having said that, good planning processes and decisionmaking are really, essentially, in the sense of such decisions, shaping the future urban form and also the livability of particular communities for decades into the future, so it really is important for those decisionmaking processes to get it right, if you like.

Also, in terms of developer contributions, we argue that they are an important mechanism to ensure that both the benefits and costs arising from a particular development are equitably determined. Having said that, I acknowledge in the point made in the discussion draft that it is difficult to, if you like, have a one size fits all arrangement because there are case-by-case considerations in terms of particular impacts for particular development, both within that particular development and for

the community impacts.

I suppose on the other hand we note that the discussion draft has, if you like, raised the point that development contribution costs have not contributed significantly to housing prices. I can provide a specific example of a development in which council negotiated developer contributions for social infrastructure which, in this particular case, was over and above what the developer was required to provide under state government legislation.

Essentially, what the developer contribution on this particular site in the north-east corridor of Melbourne, on the former Larundel Psychiatric Hospital redevelopment by VicUrban - essentially VicUrban donated one of the - well, what I would classify as a semiderelict administration building which, whilst that developer contribution was over and above what it was required to provide and which may arguably be seen to be one which, if you like, may contribute to the overall costs of the housing development - in this particular case, given that essentially what council has been given is an empty shell, council has essentially contributed significant capital costs to convert that and upgrade that facility into a community facility.

So I suppose what we're saying is that there are some up-front costs being borne, if you like, by the developer passing on the costs reflected through housing prices but at the same time, because of the significant capital outlays that council is contributing to that particular facility, the costs of providing that facility, if you like, will be borne on a user-pays basis over time. I just thought I would provide that particular example during question time; Roderick having been more directly involved in that would be happy to answer questions.

Also I will talk briefly about what - particularly local governments are taking on an increased advocacy role in a number of areas including housing. That's particularly pertinent in terms of local governments lobbying both federal and state governments for greater local government input into housing policy development through examples such as lobbying for increased funding under the Commonwealth-State Housing Agreement for social housing.

Also state housing authorities across the country are increasingly looking at local governments playing a role in joint venture partnerships with community housing providers or using planning mechanisms to attempt to broker affordable housing proposals with private developers. Such examples include inclusionary zoning and also density bonuses or particular trade-offs that a council might use in brokering an affordable housing development as part of a larger private housing development.

The reality on the ground, and particularly for the likes of Darebin Council, is

that local government generally has quite scarce resources and also competing priorities and objectives, if you like, for those scarce resources. What ultimately that means is that if local governments are likely to enter into joint venture social housing partnerships in the future that I suppose the cynical view would be, "Well, for the relatively significant capital outlay for local governments in the context of scarce resources that it may lead to relatively little impact in terms of housing affordability overall."

I will give a brief example of where council has entered into a joint venture arrangement through a state government scheme called the Social Housing Innovations Project where essentially councillors donated plans in partnership with a community housing provider. State government provides the funding for - capital funding, if you like - for construction of four community housing properties on council-owned land. Essentially, what council has contributed is half a million dollars for four community housing units or community rental housing units, so again, given that context of competing resource allocation, I suppose, you could argue from a local government point of view that that's relatively little return in terms of making some sort of impact into the affordability crisis that many communities are facing at the moment.

So in conclusion, Darebin's submission has really focussed more on the impact of rising house prices on low to moderate-income households and their ability to access affordable and appropriate housing in the municipality. So essentially, given the context of limited or restricted access to government-assisted forms of housing such as public and community housing, there is a concern on the part of council that increased gentrification, both as a driver of and an outcome of the housing market boom, will displace many households to areas with relatively poor access to essential services as well as at the same time resulting in increased levels of poverty and social polarisation within Darebin.

So the final point that we would like to make in conclusion is that we're of the view that all tiers of government do have a role to play in housing policy, given that housing is a cornerstone to health and wellbeing as well as accruing economic and social benefits and costs to both individuals and the broader community. So a comprehensive national housing strategy is required with the participation of all levels of government and key players in the housing industry to inform the development of integrated strategies to address affordability issues on a number of fronts.

MR BANKS: Thank you very much. Just to be clear, the kind of development that's occurring in Darebin now would be mainly redevelopment, development that's more about raising density or replacing what's there rather than greenfield-type situations. I suppose the one you referred to previously, that VicUrban was involved,

was really a change in the use of that parcel of land. Is that typically what's happening now?

MR MENNER: I think, given that Darebin is what we classify a middle-ring municipality, if you like, that on the one hand there are virtually nil opportunities for greenfield development as such, so essentially for instance under Melbourne 2030 we're probably looking at an additional 5000 housing units over the next 25 or so years, we've relatively limited opportunities even within redevelopment-type sites of what we call infill development as well. So essentially we're looking at - whilst what redevelopment opportunities might crop up - essentially you're looking at building at high densities.

MR BANKS: When you say 5000 units, that's specified for that area as part of the 2030 plan, is it?

MR MENNER: Sorry, I should clarify that - not through 2030. It's identified through council's housing strategy, through the Melbourne 2030 process. It's been established by the state government regional housing working groups required to come up with regional housing targets essentially, so that specific figure hasn't been identified yet.

DR SHANN: The Property Council I think were pushing for an audit of state and Commonwealth land that might be available for development. Are you saying your council in effect has already looked in your area, and presumably not just council land, but land generally that was available for development so you wouldn't see a high priority in a sort of general audit trying to identify areas of land that are available for development?

MR MENNER: Our strategic planning unit has identified, if you like, some of those potential opportunities for future housing development. I think this is one area where I suppose it's a mix of planning our regulatory roles in planning but also on an advocacy level in terms of better information about those particular development opportunities that do arise.

DR SHANN: So what sort of land are we talking about? Is it state government land which is not being used? Is it industrial sites that could be - - -

MR McIVOR: In the actual instances where we have contributed council land to the project that Glenn was mentioning, the state government project, one of them was a redundant and dilapidated scout hall and that was just a single block and we were able to put two units on there. The other was simply a block that council had held for a long time, but I think the significant thing as far as local government is concerned is in probably the last 10 years, particularly since amalgamation and since some of

the introduction of Victoria CCT, where there was a very big upgrade in the auditing process in local government. There aren't forgotten blocks the way there used to be and, when the opportunity came to be involved in this project with the state government, we had to do a lot of scouting around to find any land.

The other thing is, as Glenn said, there are competing objectives for the value of this land and even other ones, other pieces of land that we found, council priorities have dictated that it's actually those lands - that land has to be realised and not committed to housing simply because those funds are more required elsewhere.

DR ROBERTSON: How many houses are there in Darebin? 5000 sounds like a lot of houses.

MR McIVOR: There are 55,000 addresses basically.

DR ROBERTSON: So it's 10 per cent.

DR SHANN: I understand why there might be a community concern with a rapid rise in land prices in the inner city areas and gentrification and therefore low-cost housing being pushed out to the urban fringe, but I can imagine some councils might be actually quite happy with a gentrification and an increase in land prices and an increase in the rates they collect. You were saying you were worried about social polarisation. I mean, wouldn't the first effect be you'd get a mix of people with very different incomes potentially living side by side, or do you see it as this happening in some parts of Darebin and not in others? Could you just elaborate a little? You said you've increased social polarisation. Well, since you might end up with a wider spread of incomes in Darebin, is that necessarily a bad thing, I suppose would be my reaction?

MR McIVOR: Maybe if I could just start out and if Glenn wants to follow up - we conducted an inquiry into poverty in Darebin which we started I think about four years ago and we completed over 18 months and, when we'd finished it, we were basically left with the question of, "Well, what do we do about it?" because if we want to eradicate poverty in Darebin, the best thing we can do is nothing because if we don't support people in poverty in Darebin they'll have to move elsewhere.

So as Glenn said, you know, it's a very diverse population as it is and one of the things that we saw in the latest census, 2001 census, which I suppose gives us a bit of warning that this is exactly what will happen, is that in an era when more and more people are identifying as Aboriginal or Torres Strait Islander, and Darebin having the largest municipal population of Aboriginal and Torres Strait Islander people in Melbourne, we actually found we had a decrease in Aboriginal and Torres Strait Islander people which we would put down directly to - we haven't lost any of

the support systems there, but clearly the access to housing has meant that Aboriginal and Torres Strait Islander people are one of the first lot of those people. We actually actively want to keep - they may be poor but that doesn't mean they should leave.

So maintaining a diverse population often means maintaining poverty in an ironic sense. So although we want the people within the municipality to prosper and do better, we don't want the municipality to prosper simply by forcing the people who can't live there out. The other thing is that when we have surveyed the community, invariably the thing that the majority of people value the most about the community is the diversity of it, so you could run the line and say, well, you'll have different populations but especially when you look at what the population of Darebin is made up of, basically the former municipalities of Northcote and Preston, you have very much what, for quite a significant time, has been a gentrifying population in Northcote and Alphington and all those southern suburbs of the municipality, and you've always had a very strong working class community of a great deal of diversity in the Preston northern part.

While I understand what your argument is, I think what we're trying to do is to actually make the status quo in terms of diversity that we currently have to make that stronger.

DR SHANN: I suppose one of the questions on my mind would be if you were spending money in social housing from a state government point of view, I mean, you might actually be wanting to put it in areas where you can get most bang for your buck, which probably won't be the areas with very high land prices.

MR MENNER: I think that's a dilemma that state housing authorities are facing where, on the one hand, the Commonwealth-State Housing Agreement and also under the state housing policy, well, social housing policy, if you like, there's an objective to house people who are eligible for public housing in areas where essentially job opportunities - or where there's no work disincentives, if you like, which is essentially in the high-cost land areas in the inner city.

Then there's an argument in terms of skill levels of those particular households that the jobs are essentially in the professional-tertiary sectors anyway that don't exist for them anyway. So there is that, I suppose, tension that does exist between - in theory you do get more bang for your buck if you built social housing out in La Trobe Valley but, as we know, there are significant social problems and economic - you know, the local economy is basically not supporting those particular communities.

MR BANKS: Compared to some of the outlying municipalities that you would say are really growth areas, and we heard this morning of one such that has expanded

quite a lot, presumably the scope for developer charges to be recouped by those people significantly, the situation in your shire may be a little bit different to that. I am just wondering if you could talk a little bit about how you see the role of developer contributions in relation to financing social infrastructure and so on. The question of the \$450 limit, for example, was raised this morning. Would you see contributions sort of exceeding that by much or is that about right? I don't know whether you want to comment on any of that.

MR McIVOR: As you are probably aware, the state government had a review of developer contributions, I think it was over the 18 months or so, and it's a difficult question to know exactly what the figure should be. I suppose what Glenn was alluding to before is that our experience of council is that, although it will be different in different particular situations, the developer contribution we don't feel meets what we would see as bringing the community support infrastructure, if you like, up to a level that it would have developed over time. So it's not as though that developer contribution is something that immediately fills any gap in the requirement for whatever social infrastructure may be needed.

The contributions are often a good sort of something to initiate some of that and I think that's really more or less the way we feel that the figure has been struck but in that instance that Glenn was mentioning, where we have got a community centre, the skeleton of it in a semiderelict building to be handed over to us for an area which has got roughly 2600 new houses that have been developed there and will be developed there over about a five-year period, that developer contribution is still going to cost us approximately \$2 million to develop.

So when we actually do the sums of what that's worth and what other developer contributions we get in the area, it doesn't actually - it's not a nil sum for us but we see it as something that does encourage that, so we would always like it to be more but we're happy with what it is, I suppose.

MR BANKS: I think we're out of questions. Thank you very much for your contribution. Now, what we have here is that it in terms of your submission or your producing a - - -

MR McIVOR: That's the only - - -

MR BANKS: That's the only one but this is just a forerunner of what will be a more formal submission?

MR MENNER: Yes.

MR BANKS: Just to clarify that.

MR MENNER: Yes, that's just a summary.

MR BANKS: Good. Okay, thanks very much.

MR MENNER: Thanks for the opportunity.

MR BANKS: We will just break for a moment, please, before our next participant.

MR BANKS: Our next participant is from Urban Land and Housing. Welcome to the hearings. Can I ask you to give your name, please, and your position within that organisation.

MR LOWRY: Thanks, chairman. I'm Peter Lowry and I'm the managing director of a company called the Urban Land and Housing Group. We are specialists in land market research in land development and marketing in Sydney, so my comments relate only to Sydney.

MR BANKS: I should say that we appreciate your coming down to Melbourne to make this information available to us. You've provided us with a submission in response to the draft report, which we've got. I'll give you the opportunity to go through the main points.

MR LOWRY: Thanks, chairman, commissioners and your support staff. I'd like to congratulate you for this first run of the draft report, which I think is an excellent document. I have been involved in land development for 30 years, seven years with a private company as an in-house lawyer, initially, and then involved in the commercial side in the 70s. I'm quite appalled at the exploitation of consumers by the private sector. Despite the fact that I'm a life member of the UDIA and I was the editor of the journal, my comments today are probably not going to be that well received by members of the private sector. However, I believe that shelter, like food and clothing, is a basic human right. I've come down as a private representative and not from any large corporation.

Certainly in Sydney I think we're seeing exploitation of consumers, which I think is a great disappointment. Over all the years we still haven't learned how to cope adequately with the problems of shelter and housing, and particularly housing for first home buyers. The implications for the whole economy are quite massive, and today I'm going to present some figures which haven't been presented to date, I know, and which are quite surprising. I also had a company which operated from what we called Home World, which was like a supermarket of homes. We had 140 display homes and 40 major builders, and we'd get about 8000 people a week through the village. That village is almost closed as far as land is concerned because of the land shortage in Sydney. Our company was selling 30 blocks of land a week and now we've had to close the operation.

So I think we are experiencing a haemorrhaging of land in Sydney which has reached crisis proportions and, despite the report of the New South Wales government, I think someone is in pixie land if they believe some of the material in that report, particularly where they talk about 60,000 lots in the pipeline; there's just nothing like that.

MR BANKS: You're speaking there of their submission to this inquiry?

MR LOWRY: Yes. I then worked for the Land Commission and set up the Land Commission with a gentleman called Henry Wardlaw, who was the chairman. Henry was a planner-engineer. The commission was set up in 1978. Per the Land Commission Act, its brief was to promote orderly urban economic development and to produce land at the lowest practicable price. They were the two fundamental objectives of the commission. I was there for seven years directly under the chairman and, in my role, I was responsible for acquiring about \$100 million worth of land in Sydney and for an operation where we sold 3000 blocks of land a year. Any historians or researchers will reveal that the commission in the 80s was quite successful in helping to moderate land prices, because the commission held about one-third of the market in most of the outer areas.

The mistake of the commission in Sydney was that it became just another developer. In my proposal it is absolutely imperative, in my opinion, that Land Commissions and government bodies do not become just another developer. But government does have a role - and government should stick to the knitting - and government's role is to be the catalyst, the coordinator, the planner and the researcher to ensure adequate supply to meet demand. Now, others have written papers on this very simple theory of adequate supply to meet demand, but there's one fundamental imperative, if you like, in that proposition - that is, supply must be in the hands of people who are going to ensure that the supply comes on the market. So the simple theory that Malcolm Turnbull and the Menzies group had an article in the Sydney papers about was that it's all about increasing supply. It's just not all about increasing supply. It must be supply capable of being in the hands of developers.

Before I elaborate a bit more just briefly on my proposition about this question of supply, we've experienced probably a situation that's never been experienced in Australia since the war. I believe that there is a cocktail of factors; the commission has, astutely, picked up some of them, but I think that there are a lot of others, and that's never happened before in the residential market. Of course, we've had low unemployment, the GST and the First Home Owner Grant scheme, which kickstarted the whole market and, in fact, encouraged the speculators to get into the market. We've had negative gearing. As you point out in the report, we had disillusion with the stock market. We have now the backyard boomers. We have now people who are becoming property developers and speculators in land, with catastrophic effects, in my opinion - very dangerous.

We have the spruikers, like Henry Kay, who came up to Sydney and did his work in Sydney as well as he did down here. We have the mortgage brokers - there's a massive growth industry out there - and one day a bloke is a tiler; the next day he's a mortgage broker selling finance. They were picking on the people who knew least

about money; again, I'm talking about the backyard investors. I don't know what it's like in Melbourne, but I can tell you that there's a plethora of these people in Sydney who have suddenly realised that they can make a fortune out of land and they become speculators in land, whether it's englobo land or whether it's developed blocks. The dentists, the lawyers and the doctors are all buying englobo land and gobbling it up, because there's a shortage, and the battlers are out there buying up the finished product.

In Sydney I have evidence that, in a Land Commission estate where 20 to 30 people had bought land off the plan in a government estate, before they were required to settle they had resold the blocks in less than six months and made \$50,000 a block profit. In Sydney, land prices in the equivalent of Broadmeadows or Melton areas in western Melbourne had risen at the rate of \$500 per week. In the upper areas, the more expensive areas, such as the old Endeavour Hills, land has been appreciating at the rate of \$1000 a week. So, regardless of what's in that New South Wales government report about adequate supply, one doesn't have to be a very bright economist to work out that if prices rise at that dramatic rate, there are massive shortages, and so the speculators have moved in.

When I was in the Land Commission, the restriction on a buyer was that he had to build within three years; if you didn't build in three years, the government could buy the block back. The New South Wales government lifted that restriction but it has reimposed one now recently, after my bringing this to its attention. The speculators were out there gobbling up land, so the first home buyer, who should have had his interests addressed by the government, was ignored. We had selling off the plan for units. We had deposit bonds, particularly with units, and I'm saying that this all has a ripple effect; what happens in one section of the market has a ripple effect on others.

I have been in a sales office where I've heard the salesperson tell a buyer, "There are only three units left in this block, buying off the plan, and if you want to buy one all you have to put down is \$300 for a deposit bond," and the buyer said, "Well, I'll take five units," in the expectation that the prices will rise. It's a very dangerous and unfortunate situation, and it has a ripple effect throughout the whole market. The Australian dollar was fairly low, and that encouraged overseas buyers, and we had many overseas buyers from Hong Kong, England and America. We had rapidly increasing prices and once the ball starts rolling, it's very hard to control - the horse has bolted, if you like. We had the TV, print media and radio all promoting property in real estate and getting on the bandwagon before it's too late and, of course, we had changing family formations. However, fundamentally, we had land shortages in Sydney.

You have my paper, and my theory is that the increment in land, when it is

rezoned from rural to its residential zoning, should go to the state and back to the community. That massive amount of money should be used for spending on schools, road infrastructure and proper community facilities. I'm going to give you an example, and these figures are fresh from valuers today. Two major areas in Sydney are talked about as being the new release areas. The New South Wales government was obsessed about urban consolidation, and that just hasn't worked. A lot of the properties built as part of urban consolidation have been units which have been gobbled up by the investors. The people who work in the outer areas of Sydney don't want to relate to the Sydney CBD. They can't afford to relate to the Sydney CBD. They want to live in the greenfield areas.

The government has now suddenly realised that it has made a mistake and that it hasn't planned for the future. There's a 15-year plan which is referred to in the government's report. When I was in the Land Commission, as part of the brief to promote orderly urban economic development we had a series of planners who studied the dynamics of supply and demand, plotted all the different local government areas and convinced the state government at the time that massive shortages were developing, and that was in 1979. As a result, Pat Troy from the ANU was sent to Sydney. His job was to audit what we'd been telling the government and, as a result, massive releases took place in 1980 - and I'm talking 20 or 30 thousand dollar releases.

In the Land Commission we were able to acquire up to 50 per cent of a lot of that land before it was actually rezoned, and the increment on the rezoning went back to the community. In my opinion, all the infrastructure that's being paid for by the community can be paid for from that increment in rezoning, and the money I'm talking about now is mind-boggling.

MR BANKS: Just on that, your organisation was able to buy this land prior to the rezoning occurring.

MR LOWRY: Yes.

MR BANKS: It was then rezoned, so then you had a capital gain, presumably, on that which then went back into consolidated revenue.

MR LOWRY: Well, eventually it was. Again, the government realised it wanted this money; the commission was making so much money. But initially that money was used to buy more land and to fill up this so-called land bank and, for a number of years, probably for five or six years, the commission was able to provide land at a very affordable price and keep the private sector honest by ensuring that the prices weren't - not only that, we'd had massive releases, so there was adequate supply. The point was that the supply was in the hands of a responsible developer. The mistake

was that that developer then became a developer like every other developer. My view is that the government should have simply wholesaled or joint ventured back to the private sector, because the private sector certainly in the home building industry is extremely efficient and competitive.

But we have a situation now in Sydney where, in areas 60 kilometres out of Sydney, the raw land price is \$100,000. The development costs are only about \$50,000. So, we have \$100,000 for land, \$50,000 for development and the land is selling for \$200,000 in what I'd consider low to moderate-income areas.

DR SHANN: Was it generally known that this land was going to be rezoned?

MR LOWRY: Not completely known, commissioner, no. It was known that the infrastructure was going in at taxpayers' expense. This is another point I should make about Sydney. Unlike Melbourne, Sydney land-holdings are very badly fragmented and there are too many hectare parcels. In some of these areas my staff would negotiate with chicken farmers who were told, "Well, we'll pay you rural value plus what we believe - you know that there's a possibility that this will eventually come out, otherwise we wouldn't be buying it, but we will pay you a fair value," and I can say in not one case in \$100 million of acquisitions there was not one resumption. Most of the buyers were quite happy to get cash from the government.

In Sydney right now, there are two areas: one is called Bringelly, where there was talk of the next airport, and the other is an area called Marsden Park. Marsden Park for a start has a potential of 20,000 lots - 2000 hectares - and the rural value of land there at the moment is \$100,000 a hectare. Once that land is rezoned, which it will be, because the planning process is taking place - it's in the hands of one or two owners - the land will be worth \$1.5 million a hectare. That's the value right now. So the increment is \$1 million a hectare.

In Bringelly, which has a capacity of 90,000 lots or 8000 hectares, the rural price there is \$50,000 a hectare, but again - and these figures I'm quoting from registered valuers who I checked with within the last hour - we're talking another \$1.5 million a hectare, so you're averaging about \$1 million a hectare increment. I checked with Andrew to see whether our calculations are right, but by my calculations there, if we're talking \$1 million by 8000, you're talking 8000 million, which is \$8 billion. That is the actual increment that will go - in this particular case, it's owned by a family of dairy farmers who have been able to gobble up most of the land in that area, and in Marsden Park it's owned by about two or three owners.

I believe that 50 per cent of that land, a quarter of that land, a third of that land, could have and should have been acquired by an authority, whether it's a Land

Commission - and I say the mistake in having Land Commissions in the act is that Land Commissions then become just another developer. That's where it falls down. The increment should roll over, so once the land has been acquired it also makes the planning process so much easier. So much has been said by professional bodies who have appeared before this commission on the problems and the failings of the planning process. But if the land is in the hands of one owner - the state - and the state has all the muscle with its planning and servicing facilities, surely that process should be made so much quicker. It should be eased.

Then once it's rezoned and there are no arguments about where the shopping centre is going, or who gets the school, or someone has got the drainage land and there are big arguments, or someone has a parcel which blocks a major road, which often happens, or someone has a parcel which blocks a major sewer main or water main - it's all owned by the state - and once it's all settled, once it's all zoned and serviced, then it should be sold back to the private sector - builders, responsible developers on a joint venture or just wholesale. They still make their 30 per cent profit.

This subject has been discussed and I'd like to present to the commission, if it has not already been made available, a very good report which was in Western Australia in the 1970s called Land Taxation and Land Prices in Western Australia in 1968. Then the Australian Institute of Urban Studies produced two excellent reports on the price of land in which this very subject was discussed. It was so important then, in the late 70s, that the institute had two conferences on this subject, with some of the best brains and planners and people in urban development in Australia. They had a second conference in Canberra that was again in the early 80s. I notice that the commission hasn't referred to this report, which was the very first report of the Committee of Inquiry into Housing Costs - three volumes. This was an Australia-wide report, where the chairman was Ken Tauber, I think - Sir Keith Campbell, the head of Hooker Corporation, was on that committee - Ken Tauber who was chairman of the South Australian Housing Trust and Michael Ernest Ayres. I'm happy, if the commission hasn't perused these documents, to leave them with you.

Another extremely interesting report was Residential Land Development Ontario, in 1972, where they were facing similar problems. Again, this report emphasised - whilst it concurred with some of the points I've made, it made the point that the government should stay out of the development business - catalyst, yes; assembler, yes; but not become another developer. Finally, in Geelong there was a report from the Department of State Development and Decentralisation, John Northage, in 1976. So that this subject is one that has been continuing since the 60s. I would like to conclude on that note. You have a copy of my paper. I've quoted from sections of this report - The First Owner Housing Cost Inquiry - and I appreciate the commission's time in seeing me and allowing me to speak as, I think,

the last speaker for your report, or your hearings. Is that correct?

MR BANKS: No. I think events have overtaken you and we have many more now who have come on board, but that doesn't diminish your place in the sun. If you still have time, we have a number of questions to ask you. A couple that just occur to me from your presentation then - one was what is your explanation for why that organisation, the Land Commission, became a developer and went down that path, because that's significant because whenever you think of - these days, if you're going to recommend a government monopoly, governance and incentives, and so on, setting out objectives clearly and making sure that the organisation follows them is a big part of the trick to convince governments that such monopolies are going to be a force for good, rather than bad. I'll just get you to comment on that.

MR LOWRY: The answer is that the commission made so much money and has been so profitable that Treasury wanted to keep it alive and at one stage the commission had been convinced to wholesale a lot of its lands. This was under a Liberal government. The Treasury, I think, was influential in arguing that it should be retained. For example, land which I acquired from Lend Lease - in 1979 Lend Lease sold out all their land-holdings in Sydney for \$10 million, and one of those parcels, the very last one in Kellyville, has just been developed by the Land Commission now, and the profit for the Land Commission is between 100 and 150,000 a block. Land which I assembled in an area near Parklea and is now - this was in 1980 - again, there were 8000 blocks in this whole area - an old dairy farm - that was bought at \$1000 a block englobo - and the value of that land now is at least \$100,000 a block englobo before it's developed. So the profit is massive.

In New South Wales the Land Commission has become obsessed about design and they believe that design is more important than helping to moderate land prices. The other important role that the commission played was to become a conduit to the planners as to the problems in the real world. They would not believe - the Planning Authority in 1980 - that there was a land shortage developing. The Planning Authority in New South Wales, up until a year ago, would not believe that there were massive shortages developing, and I argued, "Well, you only have to look at the prices, and see the escalation of prices, to realise that there are shortages." Right now, the Land Commission I think has virtually no land in Sydney, as developed blocks of land in Sydney, other than land they're doing in joint venture with developers. But it's a major force in the market that no longer exists.

MR BANKS: Would there be a potential danger, with state governments being so keen on urban consolidation policies, for example, that an organisation like this dealing in greenfields land might actually be holding land back for a different motive to the private developer, but simply as part of a government policy to hold land back and encourage urban consolidation?

MR LOWRY: Yes, it could happen. I don't know what it's like in Melbourne - I think Melbourne is better organised than Sydney - but there has been no proper coordination. One of the recommendations of that report was that there be a land coordination unit, that unit to have the muscle to be able to convince and to coordinate transport authorities who play a vital role, and the servicing authorities, and also to ensure there's adequate research data available. Therefore, to be able to balance the urban consolidation in brownfield areas and the greenfield areas is a critical role. That's not that difficult, but the lack of hard data from my company, which is Urban Land and Housing Research - it's very difficult to get accurate, reliable data. How can decisions be made on billions of dollars of investments when the data is just not available?

In fact, in your report, with respect, I'd query on page 95 the number of lots, in figure 6.3. The source of that information is DIP and R. I couldn't see the source, and I know, with respect, it's not correct because, firstly, the definition of Sydney is important. Does Sydney include Wyong and the outer areas of Sydney? The Planning Department in New South Wales would include a bigger area than just the Sydney metropolitan area. I would recommend the commission to contact the land availability data system in the Sydney Water Board, who have the most accurate information that would correct that. The definition of what is construction - I think we should explain what construction means. Does it mean developed and available to purchase? Does it mean the plan has actually been approved by the local council? I think that might be worth just defining the terminology, because the actual production in Sydney, from 1994, would have been higher and would have come down - the graph would have been a downward trend. I'd be happy to make that information available to the commission from Sydney Water, if you would like that.

MR BANKS: That would be very helpful.

DR SHANN: So you think these numbers are too high?

MR LOWRY: I think it's too high now. Yes.

MR BANKS: Too low before.

MR LOWRY: Too low before, yes.

MR BANKS: Okay. Well, if you can help us with that. I mean, we did have some difficulty getting comparable data, particularly to make a comparison between Sydney and Melbourne in terms of trends, so if even our trends - you think our trends are wrong - then that would be helpful if you could do that.

MR LOWRY: Yes. Well, the contact in Sydney is Mr Col Goldsworthy in Sydney Water. Because their records - well-computerised - all relate to actual physical water connections - they're pretty accurate.

MR BANKS: Okay, thank you.

MR LOWRY: Gentlemen, can I just make one other point that I think is very important, that you've alluded to in your report? Depriving first home owners of the ability to get on the escalator of home ownership has massive cost to the community in terms of social disruption. Now, the best the government has done in Sydney was I think 17 houses under some affordable housing scheme, with 700 people applying to buy these 17 houses. These houses had to be kept for seven years. Now, at the end of seven years, those people have probably won lotto. They can sell them off the normal market. We're talking massive, like a tidal wave.

You can't just produce 17 houses and say they're affordable housing; they're solving the affordable housing problem. For all these families who can't get on the escalator where their families who are disrupted or the father has got two jobs trying to pay for what they do acquire, it is just I think a disgraceful situation for a community to allow this to happen. Kids who get off the track and smash cars and - it affects crime, it affects the social payments that have to be made to families that are broken because of their inability to have a secure home.

MR BANKS: Thank you for that. I guess another question that I thought might have been problematic but you seem to have overcome it was, I suppose, the question of whether you suddenly have a rezoning and at that point the price of englobo land suddenly leaps up or whether there is a kind of an anticipatory effect that might even occur over decades whereby as the outer urban fringe starts to get a bit closer, the price of land as it turns over has in a sense - the market has one eye to the agricultural production value and another eye to the potential for this eventually to be part of the urban area.

So I just wondered whether you were calling it a bit black and white in terms of - and indeed whether that then becomes a problem in terms of the price you pay, but it doesn't seem to have been from what you were saying.

MR LOWRY: It wasn't a problem in the Land Commission. Bear in mind then, in 1979 the whole economy wasn't as healthy as it is today and the market was pretty sick really.

MR BANKS: Yes, so maybe they discounted pretty heavily the prospect of those future gains.

MR LOWRY: Yes, that's right.

MR BANKS: At that time, the Land Commission you said had what proportion of greenfield land?

MR LOWRY: A third. And, for example, there's another large site in Sydney, the ADI site, which had a capacity - it was 7 kilometres in length. It was 10,000 blocks. Again, I believe that that should have been a site acquired by the state. When I was a land commissioner I acquired part of it - 110 hectares - and we produced 1000 blocks. From the time of acquisition to the time of - it was zoned exactly the same way as this land is there now - it was zoned special use as army - it was a St Mary's Munitions Filling Factory site. They made bombs and hand grenades and so on.

The first part of that land was acquired by the commission in 1979, 110 hectares. We had that rezoned and on the market in two years. But that land now has been going for 10 years. It was announced 10 years ago that it was going to be released for urban development and they still have not turned one sod of dirt. It's in the hands of a private development company in joint venture with CommLand, which is the Commonwealth. That would have satisfied the production in the Blacktown area and Penrith area for probably five or six years and because that land wasn't developed, that's why land in that area - which is definitely a low to moderate-income area - was appreciating at the rate of \$500 a week, which is only \$25,000 a year but it's still a fair bit.

What happened when the land was appreciating at \$1000 a week, we had buyers coming to our offices and saying, "We can't believe that our neighbours have just split up - they've had a divorce - and they've put their land back on the market and made an extra \$50,000; made \$1000 a week, so we think we might sell our block and buy another two or three." So two years ago that spiral started. The horse had bolted - shortages were becoming apparent two or three years ago when in fact these massive releases that they're talking about now, like this 20,000 and 90,000, should have been in the pipeline 10 years ago; certainly five years ago.

MR BANKS: You indicated earlier on - and I think it's in your submission when you talk about oligopolistic practices which are sort of, in a sense, doing what oligopolies or monopolies in particular like to do - and that is hold back production and increase price. On the other hand, I think in your presentation today you're implying that almost all and sundry are getting into the land acquisition business. I just wonder whether there was a potential inconsistency there.

MR LOWRY: Well, now they are. This is a serious dilemma. They are. Because the shortage has become so apparent - whether in developed blocks or englobo land - and these other big areas have not come on the market, yes, it's a massive problem

now. I think until all this land comes on the market - the state government certainly has no intention of acquiring these parcels - then the problems in Sydney are going to continue to escalate. Unless interest rates rise by 1 or 2 per cent, I see it's a continuation this year and maybe next year.

MR BANKS: The areas that you were talking about in relation to dairy farmers and so on, have these already been zoned residential?

MR LOWRY: No. There are syndicates out there buying englobo land, in expectation that they will be rezoned sometime in the future, having already - the government has already issued a plan to indicate the areas it will come out but unlike Melbourne and Brisbane and Adelaide and Perth, they're mostly - there are a lot of two-hectare holdings. That's, as I say in my preamble - Sydney is different in many ways.

MR BANKS: I only had one other question really and that was just a comment you make on about the third page of your submission where you talk about such a scheme as you're proposing would initially need large amounts of finance. But then you say, "But the Commonwealth appears to be willing to support an extensive land acquisition program."

MR LOWRY: Wrong.

MR BANKS: Okay.

MR LOWRY: That's taken from the - - -

MR BANKS: That's a quote.

MR LOWRY: That's a quote from the - at the back I've got a reference there - that's the report on the first working party's stabilisation of land prices. That would have been referring to the federal Labour government.

MR BANKS: Okay, thank you. Look, thank you very much for all of this. You've brought a number of publications. We might be able to lighten your load on the way back and then we could send them to you when we have perhaps perused some of those and copied - I think at least one or two of those publications are ones that we sought in vain, actually, to get copies of in the earlier period.

MR LOWRY: That's right.

MR BANKS: So if you don't mind us doing that - - -

MR LOWRY: No, I'm very happy to.

MR BANKS: - - - you'll have less excess baggage on the plane on the way back.

MR LOWRY: And add value to your excellent work to date, so I would be happy to. Thanks very much, commissioners.

MR BANKS: I will just break now for a moment, please.

MR BANKS: We recommence and welcome the Australian Association of Social Workers. Could I ask you, please, to give your name and position.

MS INCERTI: Yes. My name is Kate Incerti. I'm an AASW member for about the past seven years after being a social worker since 1982. I work in the housing support service sector.

MR BANKS: It says here you're also convenor of a special interest group, Housing and the Homeless.

MS INCERTI: Yes, that's so.

MR BANKS: Thank you very much for taking the trouble to participate. The association has made two submissions, one in response to the discussion draft. Why don't I give you the opportunity just to talk to those and then we can ask a couple of questions.

MS INCERTI: I guess as an organisation representing over 6000 social workers on a national basis, the AASW welcomed the opportunity to participate in this inquiry and to put a submission based on its own area of expertise to the Productivity Commission. We certainly acknowledge your greater expertise in looking at the economics, the labour, the land release, all the urban planning issues. I guess our area of expertise is more in line with the impact of a lot of the trends and changes that the discussion draft so ably describes, particularly in the direct service area when we're dealing with a whole range of groups at the core end of the lack of affordable, accessible and suitable housing, but also in terms of some of our members being involved in policy and planning.

So we really welcome the further opportunity to respond to the discussion draft and we felt that it very extensively and thoroughly appraised all the different areas that I've just listed. I guess we still feel that the inquiry perhaps is over-focused on first home ownership. We acknowledge that that was really the prime sort of focus of the terms of reference but we thought this was an opportunity to input our really grave concern and the sense of urgency that many of our members express, as well as colleagues of mine who may not be AASW members but who I work with closely in my role in an inner city local government housing information support service.

So we felt that we wanted to support the inquiry's suggestion to further target the first home ownership grant, that it needs to be far more means tested if it's going to be useful for the people that we tend to come across: families and individuals who are struggling to enter the first home ownership sector and get out of the really spiralling downwards private rental market. Certainly pretty much across Melbourne now the public housing on a general list is nearing 20 years waiting. So even a

priority in the inner south metro region is the longest in the state for one and two-bedroom properties and that is nearing four years. So that is for someone on a priority.

As a direct service housing worker, outreach worker, day to day, which is the role I have been doing for now nearly seven years, it's definitely worse each year and it's getting more difficult to come up with options for people. So anything that can make first home ownership more accessible for working families, as well as some individuals who might be on Centrelink benefits, would be really welcomed as an additional alternative accommodation option. In that vein we would endorse greater investigation by the inquiry into the private rental market investment area.

The discussion draft referred to the growth of this area but we surmise that was most likely at the upper end of the scale where that was referred to because there doesn't seem to be a growth in the lower end of the private rental investment. At the same time, investment in the public housing proportionately across the country has decreased, so you've got a very clear picture of real options disappearing for people. That's in regional areas. Waiting lists, I know, in the Shepparton, Moe, Warrnambool area, just across Victoria, have all skyrocketed for public housing, as have private rental for one and two-bedroom properties in those areas. It has also been noted in Canberra, since the bushfires, that private rental has dramatically increased and older people are having to pay towards 60, 70 per cent of their income for private rental.

I know that other areas, far north Queensland and Western Australia, it's not just capital cities. It's not just Melbourne, Sydney and Brisbane, but really across all the private rental tenures as well as public housing tenures, the demand has increased. I guess that's the main thrust of what we have put in. The only other point was I felt some of the members and some of the people that were happy to put their case study, if you like, into the submission were quite articulate and eloquent in putting across that it's not always just an employment issue but it's very related to personal circumstances, such as a setback in health. I think that first narrative really makes very clear that there are really other impacts on someone not being able to access housing in terms of a whole range of educational and employment opportunities, as well as just regaining one's health.

MR BANKS: Thank you. I thought that example that you related there was quite a harrowing one. It certainly does bring out the personal side. We have heard from a number of participants about this sort of drying up of the rental housing market at the lower end, as well as public housing - talked a little bit about why that may be going on and whether it's a permanent thing. Obviously in part it reflects the increased value of the land on which a lot of that accommodation once rested and it's being replaced with, obviously, accommodation that meets the market for those areas.

Normally you would expect that there would be a kind of trickle down effect whereby in the outer areas you would have some substitute accommodation being produced, but at least anecdotally that doesn't seem to be happening.

MS INCERTI: No.

MR BANKS: One thing I was going to ask you, a point that has been made by a number of participants which you might be well placed to comment on, is the role of home ownership in terms of alleviating poverty for older Australians. Whether you, in your work, come across a significant difference between older Australians who actually own their own home and those who are in the rental market. Has that been a significant issue?

MS INCERTI: It is. Speaking from my own case work experience, my target group is older persons or people with a disability, which is known as the Home and Community Care Target Group. It's dramatically different if you own your home as to whether you have other choices in terms of accessing a community aged care package or in terms of having real choices about accessing other services that can help you remain in the community longer. Often a lot of our ageing policy is based on the premise that you are already able to supply that capital infrastructure, as in being - the whole thrust is being able to stay for as long as you can in the community of your choice where you have familiar services, your doctor, perhaps family.

For older people renting pretty much anywhere now across inner, middle Melbourne, that choice is not yours. So it's almost kind of a contradiction that they are entering residential care often earlier because paying such high rent impacts on their health. So they're prematurely ageing. If they have been struggling to stay in their familiar area, they're often paying much higher rents and compromising in terms of other things like heating, food and medication. So in some ways that broader issue of housing affordability needs to be considered when we're looking at other policies such as ageing.

I have had a number of people who are renting privately in private rental or in rooming houses, whose health has deteriorated and they have had to leave the area and move into a country residential aged care facility simply because there is also a lack of residential aged care places. That's very disruptive and it means that they can't continue in their familiar patterns and live more independently, perhaps take themselves down to the shop or whatever. So pretty much if you own your home at that age you're in a much better position to have real choices of where you then go to get help to stay independent, or to even make a choice to going into a hostel or nursing home.

DR ROBERTSON: It's the end of the day and maybe I am getting tired, but there

are two causes for this insufficient housing for people who are in private rentals or in public housing. One is that there is a reduction in the stock of houses and the other one is there is an increase in the number of people who need assistance. The employment rate is just about as good as it has been for a decade, so that's not the reason, I wouldn't have thought. Do you have any figures on this; national figures on the number of people that are involved in housing stress, to use a technical term, now or fairly recently, compared with, say, 1991, which was the last real recession?

MS INCERTI: I know that the Housing Justice Roundtable, with some assistance from Hanover Research and from RMIT, have pretty much, I think, gauged from the Commonwealth rent assistance figures nationally and the figures of numbers of people receiving that rent assistance paying more than 30 per cent of their income on rent have been roughly around 500,000 in Australia. I think that was based around 2000. There would certainly be people - you know, Michael Horne from Hanover or Prof Dalton from RMIT - that would instantly be able to put their figures on that. Or Mike Berry from RMIT, Anna Hurie. That would be possible.

I guess the other aspect is that people on low incomes haven't benefited from some of those employment changes or income increase proportionately as have higher income earners. Proportionately their incomes over the last five to 10 years have not increased, whereas higher income earners have. So they're more likely to be impacted by the casualisation of work if they're in less-skilled work roles or jobs and they're also more at the mercy, in a sense, of the private rental market. I guess it's the sort of interface of those issues that have impacted - - -

DR ROBERTSON: In fact, what you're saying is it's difficult to define. We can get figures from those receiving rental assistance. We can get figures from those in public housing, but there are people in private rental who are still facing stress and - - -

MS INCERTI: Huge numbers.

DR ROBERTSON: Yes. Thank you.

DR SHANN: You've got a section in the original submission on the importance of housing location and I guess there's a dilemma. As you say here, if you're trying to provide more housing, you can do it more cheaply on the outskirts, so you can provide, if you like, more affordable housing than if you concentrated in the inner areas. Where do you make the trade-off? You're saying there are some drawbacks in doing it in the outer areas but, on the other hand, if you can do more in the outer areas is that a trade-off worth making?

MS INCERTI: Yes, I don't know if I'm qualified enough to guide you on that. I

guess the difficulty is that it depends which group you're trying to deal with. If you're dealing with young working families and job seekers, then you have to think about what sort of employment opportunities there are.

We've gone through such a huge change in the inner city, in that the new economy of IT and those sorts of things are really based in the inner urban area, and where we once predominantly focused public housing on providing for working families, because there was a lot of manufacturing in the inner areas, that's changed. It is difficult. My target group is older people, and one could say that we should just scoop them all up out of St Kilda and put them out in the outer area, but then you've got to have transport and good infrastructure, and some of these people have lived 40 years alone, quite independently and quite constructively, in their area. So there are implications in just saying, "You will be uprooted and put in this area and that will meet the housing need," whether living in the community meets their health and wellbeing, because to them their home is the broader community and not just the actual stock. There is that difficulty, and it needs a lot more investigation and discussion to really come to the best idea about that.

MR BANKS: The other question I was going to ask was in relation to the recommendations which you've got on pages 5 and 6 and which are very brief. I think I understand what they're saying, but the lead-in, where you say "supported these recommendations", these are recommendations coming from the ASWU. One of them refers to ACOSS.

MS INCERTI: With the time frame involved, we reiterated the recommendations that we had put in the original document, which referred to which ones we were supporting from previous peak bodies as well as a couple of ones we'd put in ourselves.

MR BANKS: That makes it clear. Thank you very much for attending today and for the submission. We'll just break for a moment.

MR BANKS: This will be the last presentation today. We will resume tomorrow morning at 9.30. Our final participant today is Andrew Hay. Welcome to the hearings.

MR HAY: Thank you very much.

MR BANKS: I'll give you the opportunity to indicate in what capacity you're here and to tell us your story.

MR HAY: My name is Andrew Hay. I have a bachelor of business property, majoring in finance. I've been a subagent since 1990. I can hold a real estate licence. Between myself and my family we've been operating in real estate since about 1947-48, something like that, and I stand to be corrected because it's before my time. Over probably a 30 to 40-year period, my family has been involved in land subdivision throughout Melbourne and in rural areas as well. We've also been commercial as well as residential landowners.

I'll start with the first point I was going to make. I can see that the major stumbling block or problem with the first home buyer's grant is the fact that we have existing infrastructure. In one shire that's been locked up by the urban growth boundary, the shire of Nillumbik, I estimated that there's between 500 million and \$1 billion worth of infrastructure sitting idle. This is money that has to be replaced and duplicated in other areas for further infrastructure necessary for the 50,000 people who, according to the 2030, will be arriving in Melbourne each year. There's a duplication of services that is, in my view, unnecessary and would represent a great saving to the federal government. I'm talking about only one shire, but 17 shires have been affected by the urban growth boundary and the Green Wedge Protection Bill. Twelve green wedges and 17 shires in Melbourne that have been grossly affected by this. Many aspects of this have caused angst.

However, I just wanted to say that, in the Nillumbik shire, for example, there are 13,000 sewerage tapplings available that cannot be utilised. If you talk about the cost of those pipes alone, you're talking about a phenomenal sum - and that's without looking at electricity and water supplies, et cetera, that already exist for homes that were supposed to be put in these areas.

MR BANKS: When you say a "sewerage tapping", do you - - -

MR HAY: Sewerage is based on flow. A pipe can handle so many cubic metres of effluent per day.

MR BANKS: It's just the word "tapping".

MR HAY: That means that they can cope with 13,000 new houses. A tapping is the bit that you get before you put it into your house. You've just got a little pipe - - -

MR BANKS: So, that smaller pipe is already sitting in the ground.

MR HAY: Yes. They have allowed for 13,000. They've got the big pipes there, and they have little tappings.

MR BANKS: The main is there.

MR HAY: The mains are there, and they have the tappings ready to go.

MR BANKS: But they're not actually in the ground.

MR HAY: No, but they could - - -

MR BANKS: It could bear that extra capacity. That's what you're saying.

MR HAY: Yes, they can bear the extra capacity.

DR SHANN: Is this land that was zoned for residential land but is now outside the urban growth boundary?

MR HAY: You want to talk about the shire of Nillumbik, do you? Is that what you're asking?

DR SHANN: I'm just trying to identify why these were put in. Was this land that was zoned for residential use?

MR HAY: No. You have to look at the history of Melbourne. We had the 54 planning scheme, and then we had the 72 planning scheme. Melbourne didn't exist for these areas. You've got to remember that Melbourne has grown. In 1954 Melbourne ended at South Road, and that was the extent of Melbourne; in 72 it moved out. That area was controlled by the North Riding, and land subdivision was done on a council level. You went up to an engineer, you paid \$2 and you cut off a block. There weren't the planning and land use controls that we find today. It became part of Melbourne, and once it did so we got land use controls and centralised government and it became a whole new ballgame, to put it mildly.

Unfortunately, I wasn't due to speak today, so I've left everything at home. I was due to speak on Wednesday, but then they asked me to speak today, and the trouble is it's too far for me to get home to get all my material, so I'm speaking off the top of my head. The point I was trying to make was that in just this one shire we

have so much infrastructure sitting in the ground. I went to a planning and infrastructure meeting at which Michael Buxton spoke, Connor spoke and Cathy Wilkinson spoke, head of the 2030 plan. The fact is that the areas with the greatest infrastructure are the places where they least want to build houses. The places where you have rail, sewerage, water and everything else are where they least want to build. If you want to find out why, you'll have to speak to the minister for planning, and I doubt that even she knows. She would have to go to an adviser.

MR BANKS: Would environmental constraints be a good first guess?

MR HAY: They use the term "environmental". They say "for environmental reasons". They're using the same reasons down on the west coast to wipe out the planning controls, or the planning rights, of the 17 councils in Melbourne. The announcement on televisions was, "For environmental reasons, we don't want ad hoc development." They don't do an environmental audit. This is not about the environment, this is about drawing a line on a map and saying, "This person can develop. That person can't." They have never, ever been out there and wouldn't even know what's there. It's irrelevant. It's just simply that this is what they do. It's Spring Street planning - centralised planning.

I can show you a great example from the newspaper: the Christmas Hills estate out near Eltham. The minister says she had no knowledge of this. I have great difficulty with this, but how does one put it without being sued? So many people who bought 20-acre lots out there were affected by this. The only time that they will change things like this is when the media get control of it and they're embarrassed. So we end up with the urban growth boundary and the Green Wedge Protection Bill for the benefit of all - but really for the benefit of nobody - and they gain some local votes. It's got nothing to do with land use or land merit at all, otherwise land opposite a railway station would be allowed to be developed. There are many cases that can be found such as this. They've just done a broad stroke.

They've done a report and it says they had consultation. What consultation? Consultation does not consist of infomercials saying, "This is what we're going to do." It states: "The Melbourne 2030 plan. The plan was developed in consultation with a reference group." Well, the plan was released on 8 October 2002. I think the reference group's first meeting was not until December-January 2003. You're very welcome to ask Geoff Underwood, who, from memory, was on it. He will tell you that the terms of reference for that were merely what density they want - medium or high density - within 400 metres of railway stations.

What we have, I suppose, is just government by degree. It's broad stroke. They're not even interested. There's no consultation; you can forget that idea. When they had this in Adelaide, people were allowed to go to mediation and to talk site

specific. Here, it was just simply, "This is the infomercial. This is what's going to happen." Land is not decided on its merit; if that were the case, people wouldn't have been surfing in the front door of shops in Fairfield, nor would they have to surf through their houses in Doreen, where they build where it's flat, or up on the Gold Coast at Currumbin, where they're building where it's precisely going to flood, or down in Cranbourne, where it's going to flood again. It's not being decided on the merits of the land. That is the least concern of town-planners, the government bodies, such as the DSE, that are deciding these things. Do you want me to go on a bit about that before I move to my next point?

MR BANKS: It's obvious from what you're saying that the urban growth boundary basically precluded from development the plots of land that had previously been - - -

MR HAY: Yes, they're back-zoned land. I might add that there is no compensation available under the act. If they take a piece of land from you, there is no compensation available.

MR BANKS: What about the provisions under the urban growth boundary arrangements? It's been said to us that the boundary is not absolute and that there is scope for discussion and expansion beyond that in relation to reports that come in periodically, discussion groups and so on.

MR HAY: I agree that it will happen in certain places but only where it's politically viable, not on land use merits. It will happen where they say it will. For instance, it will happen beyond the urban growth boundary where the designated growth is. It will happen there, but they're not going to allow it in certain parts of Melbourne within what they term as the green wedge shires, especially not in Nillumbik, because that's their backyard.

MR BANKS: When you say "their backyard", who are you referring to?

MR HAY: My problem here is that I have a knowledge of the personages involved in the formation and making of the urban growth boundary. I know who organised it and when. I know who the influences are, who sits in parliament and who is influencing this. Now, the problem is that if I open my mouth, I'm opening myself up to a law suit.

MR BANKS: I'm not encouraging you to do that. I suppose we could talk generically. You made the point earlier that there would be expansion of the urban growth boundary only in areas where it was politically - - -

MR HAY: Viable. It has nothing to do with land

MR BANKS: Could I just follow on from that. What you're saying is that political viability is an important consideration.

MR HAY: Absolutely.

MR BANKS: In general terms, what is the political problem in the area that you've been talking about in Nillumbik, where you've got all this infrastructure? Is it because the local community feels that this is development - - -

MR HAY: No, it's got nothing to do with the local community. They have votes. Do you want to hear a brief history of Nillumbik? This will explain it. This is just one shire. What we had was one person running the shire for 24 years. Nothing happened without their say-so. They were sacked by a man by the name of Jeffrey Gibb Kennett, and then what happened was they were voted out on their ear by the locals. They were asking for a \$50 million art gallery to be built when most people didn't even have footpaths.

MR BANKS: I think this is possibly more detail than we need.

MR HAY: It's probably more detail but the point is that the urban growth boundary, if you wanted an opinion from me, came about in March 2002 and in that shire those people were thrown out on their ear. Within five weeks of the new council announcing they were going to allow subdivision of new plots of land out there, the urban growth boundary was introduced. Now, I don't know - I mean, if it looks like it, smells like it, tastes like it, generally it is. It's a put-up job and they might relax the urban growth boundary in other areas but not out there. But we are here to talk about Melbourne-wide. I wasn't here specifically to talk about our land.

MR BANKS: So the take-home message from what you're saying is that you consider that the urban growth boundary wasn't informed by proper process?

MR HAY: In proper process - there was no process. There was no consultation with any landowners. No landowners were ever invited to speak or address any panel hearings or anything - nothing like that at all. No landowner group was ever invited to be on the reference group. No landowner group - they had about five green groups on there, you know, on the reference group but there was not one landowner group that was ever invited. Not landowners. There were some developers but not landowners.

The VFF was there but they weren't representative of what you call the urban green wedge landowner. So no-one was ever given a chance to talk about land merit at any time or any place. They said send in a submission, the submission was obviously not even read. They're unprintable. They had to rewrite them just so they

could be handed up. They refused - they won't release them. They've been hidden. You can't get hold of them. Anyway, I mean, that's just a by the bye. We've got government by decree. I mean, that's just it. They decided this is what's going to happen and that's what happened.

That was just one aspect of what I was going to talk about but the fact is that we've got all this infrastructure sitting there and we've got all this land that has services available and it would represent an enormous saving to the federal government because it's money you wouldn't have to give them to build new freeways to other places because the roads already exist. The infrastructure is already there. The rail is there, the sewerage, the water, the power - it's all there. But, you know, there was a deal done before the last state election and that's what we get. So that was just one aspect.

MR BANKS: Your message has got through.

MR HAY: It's got through.

MR BANKS: I suspect that's one of your most important - we've got about another five minutes - - -

MR HAY: Five minutes but, you see - - -

MR BANKS: What I'd suggest is maybe you focus on the things that you - - -

MR HAY: Yes, what I was going to do was just move on. There is a major problem here. Superannuation is not allowed to be used - you can't cash it in for your first home buyer's grant. You know, at the time of purchase of your first home you can't use it because it's not even allowed to be used as a demonstration of savings pattern. This is allowed in most other western countries. This is what I've read anyway.

Another aspect is the licensing of town-planners. You know, you've got better decisions faster. The major problem that I see with this is there is still -section 48 of the act says that town-planners can't be held accountable or responsible for anything they do, which I find absurd. If a valuer misvalues something or a doctor cuts your spinal cord, you can sue. Why can't you sue a town-planner? If they lie, they lie. You know, it's simple. It should be done. Section 4, fraud. There hasn't been a successful prosecution of a town-planner that I've ever heard of and it's absurd. Why are they exempt? I don't understand it. Under the act it says they're supposed to act fairly, reasonably and equitably. I haven't experienced that. I don't know about you.

Mortgage insurance: that's been covered by the HIA. I mean, obviously it's

too expensive and onerous to the first home buyer but that's been covered by the HIA. I don't propose to go into that. Bills insurance - that was covered by the HIA again so I won't go into that. Interest rates - well, you know, we're all at the mercy of them, what's set by the Reserve Bank, so there have been many things that have been put forward. The stamp duty creep - 150,000 is not enough. It should be reset at a higher - because the median price in Melbourne is about 290, the last time I looked at it. It's probably a lot more. So, you know, it's not up to it.

MR BANKS: Are you saying there that the threshold is too low?

MR HAY: It's much too low.

MR BANKS: Yes.

MR HAY: And the other fact is that the state government is double dipping between the GST and the stamp duty. Why should they be double dipping on a first home buyer, do you know? According to Oliver Hume, between 2002-2003 it went from \$100,000 to \$200,000 for unserviced land. As soon as the urban growth boundary was announced - it was in the paper in 2003 in October or November. I've got the paper somewhere but I haven't got it here. It's caused massive speculation on land. The availability of land is a major problem and that obviously is worn by the land buyer. For example, a 500-square-metre house - 500-square-metre piece of land, sorry, at Cranbourne West is 115,000 as of about a month ago and a 500-square-metre block at South Morang is 165,000 and then you've got to put a house on it. How a young person does that is beyond me. It's just simply the price of land is enormous simply because of, as far as I'm concerned, a complete cut in supply by the state government where the infrastructure is available and paid for from years ago. It's just sitting in the ground doing nothing.

Then we've got a major problem. We've got 90 per cent - this was in the paper; I can't remember when but it's at home again - but 90 per cent of a valuer's work at the moment is refinancing. You know, the major cause of marriage break-ups is money. When a valuer goes to the front door, all they're asked for is can you value it so that they can get 85 per cent, 80 or 85 per cent, so they can avoid mortgage insurance. These people are being forced to live in places where it's unaffordable to live - to live in these sort of urban ghettos miles from any infrastructure. I mean, it's a joke but I always say 15 minutes by Lear Jet to the nearest railway station with the promise that it will be built in 10 years. I suppose it's another promise. We get plenty of promises down here in Victoria from our government, but whether they come to fruition is beyond me. I'm still waiting for the first sleeper to be laid on the fast train to Ballarat or the freeways to be built toll-free. I mean, it's a joke.

If you believe those sort of - the other thing is the places that they're allowing

them to build is too far from - it's causing family break-ups in that people are being forced to live in places, as I said, unaffordable to live but, as well as the cost of having to drive to and from work, once it gets to \$1 a litre it's probably for many of these people it will be unaffordable to actually get to work because they're forced to run two cars because there's no public transport. So it becomes - people need to get their houses revalued all the time.

All I can say is if there's a small downturn in the economy, a small downturn in the price of housing, it will be an absolute bloodbath on the urban fringe because these people, if they can't refinance their houses, they need that money to keep going to pay for that second car to be able to get to work. So it's going to become an enormous cost on the federal government for health, unemployment, all sorts of things that are going to be ramifications. As far as I'm concerned, they're creating urban ghettos on the urban fringe because they're not picking the places where the infrastructure exists. I keep coming back to it.

Anyway, then we move on to other impediments. We've got government impediments like delays. The delays, I mean, even in your own report, have risen from four or five months and you're talking about VCAT delays. As far as I'm concerned the difference - you know, you've got VCAT delays, that's one thing, but to get actually heard, we're still waiting for - we gave up after two years trying to get in to see John Thwaites. He won't speak to anybody and Mary Delahunty, you know, she won't respond to anybody. We can't get in to see these people to get land rezoned. Once you get rezoned then you get variations of the zoning, at which time you're at VCAT. You gentlemen would know the planning process to that extent.

So then you've got the costs of getting permits and all that sort of thing. I talk to builders. They say 15 per cent of everything that they do now is in the building permit. Okay, I've talked about minister accessibility, which is nil. You know, the cost of having to go to VCAT. I'm fidgeting a bit here. The other thing is that I was going to talk about are the numbers involved in the building process. Now, last time I looked there was something like 15 instrumentalities. The Christmas Hills debacle - that was a Board of Works land sold to people so the government didn't try to pretend they didn't even know about it. There's too many instrumentalities talking. There's 15 or something now. It used to be only seven. 15 or 20 years ago it would have been seven. Now it's up to 15 or 20. There's a lot of people getting their oar in, you know, to subdivision and now we've got more and more environmental concerns.

We've got this at the moment in Victoria. Introduced last year was a thing called net gain. Now, net gain is a very onerous thing on developers. It means that each new development is supposed to have canopy trees built - you know, I mean already there - when they do a subdivision. They're asking developers to wear the burden of providing trees and net gain. The state government sent representatives to

South Africa and signed something similar to the Kyoto protocol in which they were going to help the world save greenhouse emissions. They were going to help solve it by planting trees and more greenery. Meanwhile, they make people live out 65 K's from the city. I suppose on the one hand they're doing one thing, on one hand they're doing the other. It's lunacy. It's better to let people live closer in where the existing infrastructure exists.

I suppose I've pretty much covered everything else. What they tried for - I can't remember his name, the man from Sydney - but they're trying for old infrastructure, urban renewal. The problem is that Melbourne was built - 1840s it started. Now, we've got infrastructure pipes that are not built to handle the numbers and types of people that they're talking about in the boundary that they're - they say Melbourne should not expand any more. Well, the problem is that the existing infrastructure cannot handle the influx of people and there's extreme resistance from the councils. Bayside Council said that they've set a height limit of two storeys. Right? So they're talking about going up instead of out. Well, the people who we've got, Save our Suburbs, and all these groups are fighting to stop this and it's just not possible - I mean, the choices are these. We've got 50,000 people arriving in Melbourne each year. They've got to live somewhere and it's got to be affordable and it's unaffordable if they keep cutting supply and they don't utilise infrastructure.

I've pretty much said everything three times over. I mean, you probably know all about the complexities of the planning processes. If you had the VPPs here, they'd cover half the table. You'd have the building regs over here and the VPPs over here. It's become a nightmare. Things were a lot simpler and a lot easier and houses got built and people were housed cheaply. The three things that I would draw out of everything that I've said are: utilising infrastructure, which would save the federal government money; limiting the state government from not producing things like creating international agreements, which I thought were only allowable by the federal government. I thought that's what they're for - you know, banks, rivers, borders. Why they've got people being sent over there to have agreements which in the end cost people houses is beyond me. What was the third thing I was going to say - yes, licensing of town-planners. I think that if the town-planner makes a mistake or lies on a file, they should be held accountable. They shouldn't be allowed to get away with it and it should follow them - and if they allow development to happen where it floods, it should follow them to their grave. Seriously. It's just straight lunacy.

This is the very last point. I made it before. Australia has an average of a 16th of an inch of topsoil. Now, down at Berwick we've got 11-foot. People ask why is it that the best farmland in Australia has houses built on it? Why? Because it's cheap for governments to build on flat land. Simple. They're competing uses. The problem with that is that the best farmland has then got houses on top of it. When it

should have cows on it, it's got houses, and where they should build is not where they're building. Anyway, that's about all I have to say. I could go on about it for another three weeks.

MR BANKS: Thank you and I appreciate you taking the opportunity to appear today - which I think we've been given in that you're already here - but if there's other material at home - - -

MR HAY: Do you have any questions - very quick questions?

MR BANKS: I think you've answered our questions before we could ask them, which we appreciate. If there are any documents that you have at home that you'd think would help us in putting this together, please send them along. We could send them back to you, or whatever.

MR HAY: I was going to say I've said it three times now - I cannot emphasise - if you take one thing away from everything that's said by all the people that have made representations, the fact is that the federal government provides funds for the state government to disseminate to the constituents, and that includes the infrastructure. I estimate there is around between seven and 13 or 14 billion dollars worth of infrastructure just sitting there in these shires and they're not allowed to utilise it. The state government, to stop the democratically elected councils having their say, strips them of planning powers as of 8 October 2002 with VC16, which was an amendment to the planning figures.

MR BANKS: Okay, all right, we've got that message and thanks very much for participating today.

MR HAY: Okay, thank you very much.

MR BANKS: We'll adjourn the hearings now until tomorrow morning. We're recommencing at 9.30 am in this room. Thank you.

AT 6.28 PM THE INQUIRY WAS ADJOURNED UNTIL
TUESDAY, 10 FEBRUARY 2004

INDEX

	<u>Page</u>
URBAN DEVELOPMENT INSTITUTE OF AUSTRALIA (VICTORIA): CHRIS McNEILL GEOFF UNDERWOOD	246-267
AUSTRALIAN COUNCIL OF TRADE UNIONS: GRANT BELCHAMBER SHARAN BURROW DONNA HRISTODOULIDIS	268-282
WYNDHAM CITY COUNCIL: JOHN MOORE	283-297
LANGFORD-JONES HOMES: BRUCE LANGFOD-JONES	298-305
HOUSING JUSTICE ROUNDTABLE: TERRY BURKE SALLY JOPE BARRY PULLEN	306-319
AUSTRALIAN CURRENCY TASKFORCE: PETER SHERMAN	320-327
DAREBIN CITY COUNCIL: GLENN MENNER	328-337
URBAN LAND AND HOUSING GROUP: PETER LOWRY	338-349
AUSTRALIAN ASSOCIATION OF SOCIAL WORKERS: KATE INCERTI	350-354
ANDREW HAY	355-364