

W E S T H I R N
WESTERN SYDNEY HOUSING INFORMATION AND
RESOURCE NETWORK

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SUBMISSION TO:

**PRODUCTIVITY INQUIRY INTO
FIRST HOME OWNERSHIP**

**Final submission in response to First
Home Ownership Inquiry Exposure
Draft.**

About Western Sydney Housing Information and Resource Network

WESTHIRN is peak community / non-government organisation funded by the NSW Dept of Infrastructure, Planning and Natural Resources to resource housing organisations and advocate on housing matters on behalf of Western Sydney and particularly as they affect low income and disadvantaged people.

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INTRODUCTION

The First Home Ownership Inquiry's Draft Report highlights the complexity of housing and the crucial role it plays in all aspects of the lives of Australians. In a number of places the Draft Report says that there has not been enough time to fully investigate a number of issues. This is due to a number of issues including the complexity of housing, the way it impacts on a wide variety of policy areas, the lack of research in some aspects of housing and the shortness of time given for the Commission to report.

While accepting the centrality of home ownership in Australian culture, its key role as a provider of wealth generation for families and individuals and the positive social impacts we all also believe it is difficult to discuss home ownership in isolation from the broader housing market.

WESTHIRN understands that the Commission is limited by the Inquiry's Term of Reference but we believe the broader considerations summarised on page 154 – 155 of the report need to be expanded and integrated at times into the body of the report.

This view is also based on the interrelationship of the whole housing market and that changes to only one segment will have profound impacts on other segments of the market.

THE NEED FOR COMMONWEALTH LEADERSHIP

Following from the views expressed above we see a stronger role for the Commonwealth Government in the housing market and below we elaborate on some of our reasons and put forward recommendations.

LEVELS OF GOVERNMENT FUNDING FOR HOUSING

The Commonwealth Government invests considerable amounts of money into the housing system through a variety of programs by both direct funding and tax arrangements. We do not want to discuss tax arrangements in any detail but would like to make a few points concerning Commonwealth Government financial arrangements concerning housing.

The combined approximate annual value of Commonwealth Rent Assistance, Commonwealth State Housing Agreement and First Home Buyers Grant \$4 billion per year, while the total tax concessions given to home purchasers has been conservatively estimated at over \$20,000 billion per year.

This is a huge amount of expenditure in one area of policy and infrastructure and we believe that it needs to be better co-ordinated and integrated to ensure that all the financial expenditure whether they are subsidies through the tax system, direct grants,

welfare payments or other forms are efficient both in assisting those most in need and ensuring an efficient housing market for all groups.

Particular inefficiencies we would like to see addressed is Commonwealth Rent Assistance (CRA) which has been shown to be paid to people who remain in housing stress after receiving the payment (this is particularly true in the Sydney and Melbourne.) and also to be paid to some people who are not in housing stress. The CRA is an expensive program that clearly fails to the job that it was designed to do and needs to be reviewed and restructured.

Also there is a greater benefit from the tax and financial structures at the moment for investors and home owners than for other groups including renters.

We support the view expressed in the Draft Report that if the First Home Owners Grant is to be continued that it needs to be targeted. At the moment it is providing income to people who are relatively wealthy. We also have fears that it has played a role in boosting house prices and therefore increasing affordability particularly for those who are marginal housing purchasers.

CO-OPERATION BETWEEN DIFFERENT LEVELS OF GOVERNMENT

As discussed elsewhere in our submission all three levels of Government play a role in the delivery of housing and for policy to be effective this means at the very least close co-operation between these levels of government

The most obvious example is between Commonwealth and State Governments who already work together on housing particularly through the CSHA. While the present CSHA provides stability the level of funding was inadequate and State Housing Authorities are not able to support those most in need.

It is also clear in looking at the present tax arrangements that the Commonwealth and States disagree about the need and of various taxes such as stamp duty and land tax.

Local government plays a clear through their planning and approval procedures but within regulations that are devised by State Governments. This again is process that often leaves one side dissatisfied with the outcome.

As the draft points out there are inherently political elements to these processes that cannot be completely removed. This though highlights the need for frameworks that removes deliberations from political decision-making and develops a system that as much as possible allows policy make and decision making to be done with the needs of citizens to be the highest consideration.

HOUSING'S INTERACTION WITH OTHER POLICY AREAS

While housing plays a crucial role in the economy, it also has broad social impacts and affects other policy areas such as the environment, welfare, transport and labour markets. We will not discuss in detail the ways in which housing interacts with all these policy areas but noting first that the interaction with most of these policy areas

is raised in the draft report we would like to make some points about particular areas and mention areas where we think should be given more emphasis.

SOCIAL IMPACTS

The draft gives a good summary of how home ownership can have positive impacts on the lives of people through the provision stability and WESTHIRN agrees that home ownership is the best way to provide this for many people.

It is also clear that some of the positive social impacts that grow out of stability as acknowledged in the draft report can also provided, though to a lesser degree, by stable social housing and private rental housing if the right circumstances are created. Since as the draft report itself points out stability and less frequent relocation brings a range of benefits and it is important that housing in all tenures types help to create this stability that brings social, community and economic benefits for everyone.

As stated above the CRA, which is a Centrelink payment and as such is part of the broader government welfare system, fails to do its job. This failure means that families and individuals are in some cases not benefiting from the advantages that stability provides.

INFRASTRUCTURE COSTS

In the case of infrastructure costs for new developments we would like to make a couple of general points.

In terms of who bears the costs of social infrastructure the assumption appears to be that this is a cost for developers who gain no benefit from supply of infrastructure when in fact developers use the infrastructure as a selling point and it is a major part of their marketing structures. This is clear from developments such as Glenmore Park and Harrington Park in Western Sydney. Developers have at time taken on the role of doing community building in these estates.

We think that as the developers are benefiting from the infrastructure that they should also take responsibility in bearing some of the costs.

WESTHIRN supports the use of debt financing put forward on page 125 of the draft report though we believe that some advantage taken of the lower borrowing costs available to government. If the paying off is done through taxes and/or rates or through public sector it still depends upon the ability of government to raise money from its citizens.

We support the continuing provision of social infrastructure into new developments, whether they are Greenfield or infill development. It is this social infrastructure that supports the development of 'social capital' in new developments, making them better places to live and enhancing the positive social impacts discussed above.

ENVIRONMENTAL CONCERNS

Matters of land release are discussed in some detail in draft report as are the related matters of planning regulations with only brief mention of the environmental issues that arise from development. In Western Sydney there are number of environmental issues that are crucial importance, particularly the matters of air pollution, salinity and protection of water in the Hawkesbury – Nepean Catchments and in the broader Sydney water catchment area.

An area that has specifically been earmarked for development by the New South Wales Department of Planning, Infrastructure and Natural Resources is Bringelly (in Western Sydney) as has been widely reported this is an area that was put side not to be developed during the 1980s because of concerns of air pollution have adverse effects on resident's health and other environmental issues.

These matters need to be considered seriously when discussing land release in Western Sydney in particular and more generally.

INTEGRATION OF POLICY

The draft report recommends that there be a review of housing related taxes as part of a broader review of the tax structures. Considering the importance of housing to the policy areas outlined in our submission we think there needs to be the development of a National Housing Framework.

That needs to be active Commonwealth involvement in the housing sphere, with Commonwealth leadership and integration of policy and action with the wide scope of policy area that housing has an impact on.

RECOMMENDATIONS

- A. The development of a National Housing Framework that involves all levels of Government**
- B. A review of all Commonwealth expenditure on housing either direct or through the taxation structures. The review to look at housing policy more widely and address issues across all tenures.**
- C. Better targeting of the First Home Buyer Scheme**
- D. A review of Commonwealth Rent Assistance to ensure that it assists those most in need**
- E. The use of limited debt financing in the supply of infrastructure**
- F. That the Commonwealth sponsors more research into housing including into financing of affordable housing generally and the social impacts of housing.**