



The Hon. Christian Porter MP
Minister for Social Services

SPEECH
2015 NATIONAL HOUSING CONFERENCE
PERTH CONVENTION AND EXHIBITION CENTRE

***** *Check against delivery* *****

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Thank you Ian.

A good place to commence is by congratulating AHURI on this ninth biennial national conference and acknowledge the pivotal role AHURI plays in ensuring there is a strong housing research capability in Australia.

AHURI – through its housing and urban research – makes a critical and active contribution to the housing policy debate and the attendance at this conference shows its standing is well recognised.

Evidently, this year's conference is in Perth, which is good because speaking here gives me an excuse to be back home.

Perth is, I hope you all agree, a city on the verge of becoming amazing. It also demonstrates the important but often overlooked point that in Australia there is no one housing market.

Conditions and challenges vary, sometimes wildly, between place to place and from time to time. I recall in 2006 in Perth when house prices near to doubled in 18 months, bringing the average median house price in Perth at

the time near to that prevailing in Sydney (which at the time was experiencing something of a dampening in its demand and prices).

Indeed Western Australia is a greater land mass than Western Europe and so inside the state highly variable conditions co-exist at the same time in different locations.

So the counterintuitive beginning to this speech (which will be a speech seeking to provide an overview in general terms of challenges and approaches to government on the issue of housing affordability); is to note that we should be aware of generalisations in this sector.

I should also note here you are about to be addressed on housing by a person who, in each of Perth's last 3 housing cycles managed to sell precisely at the trough and buy precisely at the peak of each cycle so feel free to accept or reject any observation I offer.

While generalisations on housing issues should be treated cautiously, something that is universally applicable across Australia is that few issues are more important to Australians and their families than having a safe and secure home.

And in my portfolio, housing in all its aspects – affordability of housing, supply of housing, access to housing – is at the centre of a great range of social services challenges.

Housing is the social enabler which allows individuals and families to be productive and active participants in the community.

A variety of studies show that stable housing substantially impacts educational, health and employment outcomes, as well as, community amenity and economic independence.

The Productivity Commission found, for example, that housing stability is particularly important for income support participants.

Australia faces a number of problems inside my portfolio.

Right now, as a nation we spend \$154 billion on direct welfare which represents about 80% of the entire personal income tax revenue.

A central task of this modern government is to slow down the growth in this \$154 billion expenditure. The more times a person has moved over a twelve month period, the less likely they are to be working at the end of that year.

This simple fact demonstrates how important housing is to the issue of slowing growth in welfare outlays to sustainable rates.

This year's conference programme has an emphasis on ideas, innovation and change.

This is most welcome because another generalisation that can safely be made, is that; as in many of the countries represented by our international guests, the housing challenges in Australia need new thinking, and a willingness to quickly develop, test and apply entirely new approaches.

Government must be far more willing than it has previously been to self-assess its own policies and expenditure in this area and constantly seek to maximise the impact on the availability and affordability of housing when it spends taxpayer funds for this purpose.

It is also, obviously the case, that no single level of government can act alone on this issue and even more critically; nothing will change without a willingness for innovation by government being accompanied by new, even radical, approaches in housing provision being advanced by the private sector.

Some significant initiatives addressing current problems are already underway in many parts of Australia.

Opening Doors, the ten year Affordable Housing Strategy introduced here in WA in 2010 by my former State Government colleagues is five years ahead of schedule in meeting its aspirational target of 20,000 affordable homes by 2020.

The distinctive feature of the WA strategy was innovative thinking, and it worked.

On the other side of the continent, in NSW, Premier Mike Baird is using revenue flowing from that state's property boom to inject \$400 million into the NSW Housing Acceleration Fund.

This funding will be directed at critical infrastructure projects which will drive housing growth.

NSW has identified the need for an additional 664,000 dwellings in Greater Sydney by 2031, and has committed to accelerating the supply of housing in both infill and greenfields areas to achieve its target.

While these – and other initiatives around the country - are exciting, it would be an overstatement to say that we have reached a point where there is diminished need for further innovation.

Together with the states and territories, the Commonwealth directly invests \$11 billion of taxpayer money annually in housing assistance and homelessness services.

But, despite this significant expenditure, the situation inherited by the Coalition government is that housing outcomes, particularly for low and moderate income households, notwithstanding very large Commonwealth

expenditure; have not shown improvements commensurate with that expenditure.

Consider the following:

Younger Australians are increasingly finding it difficult to buy a home.

- The ABS recently reported that in 2013-14 home ownership among Australians aged 25 to 34 fell to around 38.6 percent. Now some of this is relatable to lifestyle changes amongst 25-34 year olds and their evolving views regarding mortgages; but much of this is about affordability.

Low and moderate income earners are finding it harder to rent.

- Around 575,200 households or roughly 42.5 percent of low income households reported that they were in rental stress.

Social housing stock cannot meet demand.

- More than 205,000 households remain on waiting lists.

Earlier this year, the Organisation for Economic Co-operation and Development ranked Australia's housing market as the second most overvalued against its long-term average on a price to income ratio at 31 per cent; and the fifth most overvalued on a price to rent ratio at 49 per cent.

This finding was consistent with the 11th Annual Demographia International 2015 Housing Affordability Study (which listed the Australian housing market as one of the world's most severely unaffordable).

The level of home ownership for households with children under 5 years decreased from 71.7 per cent to 64.6 per cent in the ten years to 2013-14.

And, tellingly, according to Corelogic RP Data, combined median capital city house prices have risen by 11 per cent over the last 12 months to \$580,000.

At the same time, in trend terms, average weekly total earnings grew by only 1.3 per cent in the 12 months to May this year.

Of course, while record low interest rates may make it easier to pay down a mortgage, they also present challenges in saving to get one in the first place.

Reserve Bank of Australia (RBA) figures show it would take a young buyer, on average income, ten years to save a 20 per cent deposit for a median-priced house in most capital cities, and as long as 14 years in Sydney.

At the other end of the housing continuum, another development is occurring.

The number of Australians aged over 65 who still have a mortgage has doubled since 2004.

There is also a sizeable proportion of Australians who try but cannot maintain the struggle to pay their mortgage.

Professor Gavin Wood's research for AHURI on this topic, found that over the decade to 2010, around 22 per cent of home owners dropped out of home ownership.

He estimated that nearly 40 per cent of these will remain in rental accommodation and never return to home ownership.

All these trends in turn put pressure on the rental market.

In the decade to 2014, the total share of households in the private rental market increased from 18.4 to 25.7 per cent.

When combined with social housing, this means about one in three Australian households rent.

An increasing number of these households cannot participate in the private rental market without government support.

Many Australians may not appreciate that the Commonwealth supports more than 1.3 million of these households through Commonwealth Rent Assistance (CRA).

As at June 2014, some 67 per cent of CRA recipients would have paid more than 30 per cent of their income on rent but for the assistance of the tax base through the CRA.

With CRA, the proportion was reduced to 40 percent.

But this comes at substantial cost to the taxpayer.

In 2015-16, CRA will account for around \$4.4 billion of the total \$6.6 billion Commonwealth expenditure on housing.

CRA has been increasing at a rate of seven per cent a year in real terms.

Public and community housing directly feel the impact of rising rents through the ever increasing demand for social housing.

Meanwhile, the cost of public housing is increasing in real terms.

The system in its current form is unsustainable and a central reason why this is the case is the structural imbalance between the amount of revenue generated from tenants and the costs incurred in maintaining stock and providing support services for high needs tenants.

So far the issues that have been summarised go to the challenge of affordable purchases and affordable rentals.

At the most basic level, housing challenges are in relation to the issue of homelessness.

This year, the Commonwealth Government extended the National Partnership Agreement on Homelessness (NPAH), providing \$115 million a year to states and territories for the next two years.

These funds are matched by the states and territories and, as many of you will be aware, this new NPAH requires states and territories to give priority to funding for homelessness services focused on women and children experiencing domestic violence and homeless young people.

Each year around 78,000 women and children who seek assistance from homeless agencies in our country are escaping family or domestic violence.

That is, one in three people who seek assistance from homeless agencies are escaping domestic or family violence.

This truly depressing situation illustrates the complexity of homelessness issues.

Homelessness is, in part, an issue about stock and the lack of affordable housing supply.

But it is about a lot more than that. And a huge amount of homelessness is caused by domestic violence which in turn is about a culturally indentured and shameful approach to relationships with women that unhappily persists in pockets of Australian society.

I have sought today to speak in a way that provides a framework for new deliberations and discussion by presenting an unvarnished account of the kinds of challenges that we are currently facing. And noting again, of course, that generalisations in the Australian housing market are necessarily useful but must be treated with caution; I want to propose a central question which sums up several variable problems.

Given that we are collectively making a significant investment in housing assistance and homelessness services, the question is, why aren't we achieving better outcomes?

Obviously, we need some serious reappraisal of our approaches at all levels of Commonwealth government, State government and most importantly in the private sector. And, critically, and often overlooked; purchasers may need to reconsider their own approach.

I would like to canvas four areas for attention.

First, supply.

Housing supply has not met housing demand for the past three decades.

Since the 1980s, despite population increases each decade, the average annual completion rate for new homes has remained obstinately around 150,000.

While our population grew at an annual rate of 1.7 per cent between 2007 and 2014 for example, housing stock grew at only 1.6 per cent.

There are heartening signs however.

Dwelling approvals increased to over 225,400 in the 12 months to August this year, up from 199,500 over the same period last year.

We need to build more than 200,000 homes a year into the foreseeable future if we are to address our current issues with housing supply and thereby housing affordability.

We need to look seriously at all, and any, blockages that are preventing us from sustaining this level of activity and continue to break and exceed the 200,000 new homes barrier.

The former Treasurer set up a Housing Supply Working Group, led by the Victorian Treasurer to identify best practice arrangements for the release of Commonwealth and state land.

The present Treasurer has asked the same group to undertake further work on housing affordability with a specific focus on solutions for better supply and the provision of social housing through a national reform framework.

My Department will work very closely with the Treasury on this and I am very much looking forward to contributing to the results of this work.

Our federal system means that we need to be working very closely with the states as we move forward in this important policy space.

The second issue is a Federation demarcation issue.

We need to provide clarity around the roles and outcomes sought by the Commonwealth and state and territory and local governments on housing.

As you all know, the White Paper on the Reform of the Federation is underway.

The issue of vertical fiscal imbalance in Australia is well known. The States and Territories have become increasingly reliant on revenue collected by the Commonwealth to deliver services in the areas for which they have primary responsibility – including housing and homelessness.

Around 45 per cent of all state and territory revenue now comes from the Commonwealth.

Periodic Commonwealth injections of money are necessary but are not necessarily the long term answer to national problems and experience suggests they are not the answer to the fundamental problems of housing supply and affordability.

The Treasurer and I are of one mind in the conclusion that we cannot continue to spend money through the National Affordable Housing Agreement (NAHA) and the NPAH without getting better results, indeed much better results that can be measured against key indicators.

As indeed AHURI commentators have pointed out, clarifying the roles between different levels of government will not in itself solve Australia's current housing affordability problems.

This is why we need to bring imagination to bear.

In tackling the supply problem, it is important to remember that our population is diverse.

This is my third point.

We need to cater to changing demographics, preferences and affordability pressures which are of course different for different age groups and across different locations.

Innovation and imagination are far from lacking in Australia.

We have a history of being both innovative and imaginative.

We need to bring more of both to the housing space.

For instance, the question whether there is a place for increased micro housing in Australia should be asked loudly and repetitively by the private sector; and Governments should listen.

I am not suggesting we go as far as the French designers who put forward a proposal to line the Seine with tiny accommodation capsules on stilts.

The predictable Parisian response was: “Quelle horreur!” And likely similar responses would arise in Australia if we do not properly socialise and explain realistic options to advance micro housing.

But, given our housing problems, the obvious question arises; why are we building houses that are on average the biggest in the world?

The average Australian home is 215 square metres. In the US the average house is 202 square metres, in the UK it is 76 square metres.

Houses do not need to be the biggest in the world to be great for families and there are many groups in our society who do not need large homes and many who would prefer the opposite.

I grew up like most good 1970's middle class suburban kids in a small but happy home that would have fit three or four times inside an equivalent modern McMansion.

Well designed and well built micro houses could be a good first home option for young singles or young couples or for older Australians who wish to downsize.

We should never let standards fall.

But being imaginative and maintaining standards are not mutually incompatible.

Some of you may have taken advantage of the conference excursions to see the new affordable housing developments around Perth.

Perth is increasingly embracing the concept of transit oriented developments where communities are developed close to public transport.

The Village at Wellard, Adara Apartments and Living Space at Cockburn are all examples of quality, innovative affordable housing.

I understand Adara took just twelve months to complete from sod turning to market. It is 20 minutes by train from the CBD and one stop away from a hospital and a university.

On this issue of the increasing tendency to supersize our houses, it is difficult to unpack the causation issues leading to this phenomenon but harking back to the point about State/Federal reform; it is likely stamp duties feed into supersizing.

This is because stamp duties deter movement from one house to the next, they incentivise getting into your biggest house first. Rather than moving from small to medium to large (when families are growing) and then moving from large to medium to small when the family shrinks – stamp duties generally penalise mobility and so create an incentive to go straight to the large home, before it's really needed, and stay with it long after its usefulness wanes.

This brings me to my fourth and final point, the sustainability of the social housing system.

We need to improve the sustainability of the social housing system – both community and public housing - including by devising better systems designed to attract private sector investment.

As I mentioned earlier, the WA Government met its affordable housing target well ahead of schedule.

They did this through smart partnerships across the government, private sector and not-for-profit organisations, to finance and deliver long term affordable housing solutions for nearly 50,000 people throughout the state.

An outstanding example of smart partnerships is happening in my own electorate and some of you may have seen it first-hand visiting Ellenbrook on a conference excursion.

Ellenbrook is a model for aligning private sector investment principles with quality urban design and government social policy objectives.

In fact, Ellenbrook was recognised as the world's best master-planned community at an international awards ceremony in May this year.

It demonstrates that you can successfully integrate social and affordable housing opportunities in a quality community by taking a partnership approach and using private sector investment.

We need to make better use of private sector investment across the housing continuum as we look for solutions to housing challenges.

My predecessor, and now Treasurer, Scott Morrison has pointed out for example that private rental accommodation in Australia is supported by a large pool of mum and dad investors making private rental stock available and yet in Europe and the US, it is large institutional investors who often play this role.

International investors are significantly absent from our housing market and we need to actively engage with them and look for ways to make this a more attractive investment vehicle.

AHURI is contributing wonderfully to the contest of ideas in this space.

Your research on creating Housing Supply Bonds and an Affordable Housing Finance Corporation is providing valuable input to the debate on how we introduce long overdue reforms.

It is also worth noting that recently the South Australian Government determined to trial Social Impact Bonds and set up two homelessness support services for some 400,000 South Australians experiencing homelessness.

SIBs, as they are called, are a form of ‘payment by outcomes’ funding mechanism that engages private capital.

The partnership between government, private and non-government sectors under which SIB’s operate mean the private investors provide capital to a service provider to achieve agreed social outcomes.

If these outcomes are achieved, there is a cost savings to government, which are used to repay the upfront investment along with a financial return.

SIBs encourage innovation, paying for results rather than the delivery of a prescribed service, and free service providers and investors to explore different ways of achieving better results.

While developments like all of these are encouraging, there has been mixed success more broadly across the country and few projects have been able to scale up to the level of supply needed to make a real difference to the figures I cited earlier.

Even in areas that have done well, such as community housing, we lack the critical mass needed to reverse our present situation.

Community housing plays an important role in Australia. It has been the font of a lot of innovation and entrepreneurship and it is growing.

With nearly 90,000 homes, community housing represents 21 per cent of Australia’s social housing stock of 422,000.

This is a significant increase from 2008 when community housing made up only 14 per cent of total social housing stock.

To effectively tackle the problems before us, we need to set higher targets and take into account the full range of causal influences on affordable and accessible housing.

These include land release planning, council zoning, regulation reform, infrastructure provision, the management and financing of social housing stock and the imagination to take on big ideas.

Much of our social housing is in our cities.

With Banjo Paterson, we may yearn for the vision splendid of the sunlit plains extended but the truth is we are one of the most urbanised nations on earth.

In announcing a new portfolio of Cities and the Built Environment, the Prime Minister has indicated that integrated planning, infrastructure funding and 'greening' cities will be a priority.

I will work closely with my colleague Jamie Briggs to ensure that we have cities with accessible housing, which is affordable and which also supports improved amenity for a clean and natural environment.

I consider there are some very exciting prospects here.

It would be neglectful to underestimate our challenges in housing and to fail to acknowledge policy shortcomings that have persisted over several decades.

It would be equally unwise not to take a positive and bold approach to known challenges.

I am sure that many imaginative and constructive ideas will be discussed at this conference and I look forward to hearing the results of your research findings, conclusions and suggestions that emerge.

I thank you all and I just note again, when you have good ideas, pester governments continually.

Thank you

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