

SEN. ARBIB'S ADDRESS TO THE "POWERHOUSING" CONFERENCE

Wednesday, 16 March, 2011

Sen. The Hon. Mark Arbib

Minister for Indigenous Employment and Economic Development

Minister for Sport

Minister for Social Housing and Homelessness

Thanks so much Greg and thank you all for having me here today.

Can I begin by acknowledging the traditional owners of the land, the Wunrundjeri people, their elders past and present.

It has been almost 6 months since I was appointed Minister for Social Housing and Homelessness and I have to say, travelling around the country, I have been deeply impressed with the standard of work that has been delivered by community housing providers whose work that I've seen, including Common Ground here in Melbourne in Elizabeth Street, Bonnyrigg in Sydney, Brisbane Housing Corporation, Marist Affordable Housing for Life, Ladder projects, and many more.

There are many strengths that you as community housing providers bring to social housing including:

- Innovation;
- Cost-efficiency (and greater ability to leverage for growth);
- Energy and enthusiasm (which should never be underestimated); and
- Grass roots linkages, which can allow you to deliver better support.

Importantly, your sector also creates sustainable mixed communities - avoiding the concentration of disadvantage that we have seen all too often in the past.

So you are not just providing people with a roof over their head, you are providing them with a community.

One of my favourite movies is The Castle and Darryl Kerrigan nailed it when he said "it's not a house it's a home". I think that's what many of you work so hard to deliver.

Many of you are working to help some of the most vulnerable members of our society, including people from culturally diverse backgrounds, the aged, the homeless, the disabled and people who just generally have had a tough life, often through no fault of their own.

And creating that feeling of belonging, creating a place to call home. This is such a powerful way to change someone's life and provide them with a sound foundation on which they can build themselves a better future.

Housing is a key part of our social welfare system that people ought to be able to rely on as a safety net to help them bounce back, lifting people out of disadvantage and poverty.

THE NEXT FIVE YEARS

Although I've been in this role for less than six months, I've been asked to talk about my thoughts on where we are likely to be in five years time in terms of social housing and community housing.

Three key points I have to make are:

1. I am extremely concerned about the failings of the current social housing system and what our future is projected to look like if we maintain current policy settings and shun future reform.
2. A safety net does not mean a trap – and that is what I fear public housing has developed into for some people. This issue must be addressed in my view if we are to help revive a system that ought to lift people out of poverty, rather than lead to long cycles of intergenerational poverty and disadvantage.
3. Community housing must be at the forefront of the solution as to how we deliver better sustainable and affordable housing solutions into the future.

I'll just deal with each point in turn:

Despite the Australian Government making housing a priority and unprecedented levels of Australian Government investment in social housing over the past 3 years, the current public housing system is financially unsustainable as a model into the future.

There are many reasons for this - the declining stock, increasing demand, the increasing needs of the people who live in public housing, rent-setting policies.

It is no wonder that the state housing associations have been in deficit since the 1990s.

We do know that a great deal of the problems that we are facing now have been as a result of significant underinvestment in public housing under the previous Coalition Government.

Over the ten years to 2007, the Australian Government's contribution to the States for public housing fell by 24% - a \$3.1 billion decline in investment.

We know that if public housing construction levels over the past 20 years had matched those in the 1980s, the total stock would be about 200 000 dwellings greater than it is today.

At the same time no action was taken to reverse the growing shortage of affordable rental homes in the private sphere.

When we came to Government in 2007, there were more than a million private rental homes affordable to some 800,000 renters with incomes in the bottom 40 per cent.

Nearly 8 out of ten of these homes were occupied by households in higher income groups, leaving a shortfall of nearly half a million (500,000) affordable homes for Australians in the lower income bracket.

That is a staggering statistic, isn't it?

The Australian Government alone is currently investing more than \$20 billion in social and affordable housing measures.

But from a Commonwealth Government's perspective, what worries me is that we are investing billions and billions of dollars into a system that is currently failing some very vulnerable people in our community.

My values, my Government's values and I'm sure your values are about ensuring we have a safety net that actually works and that doesn't let down families and individuals in need.

More than 60,000 households classified as being "in greatest need" were on public housing waiting lists last year.

Some of the neediest households can now wait two or more years to get a public house placement.

In the last year alone, we saw a jump in the social housing waiting list from 174,000 to more than 200,000 applications.

Certainly, some of this was a result of the global financial crisis and the consolidation of public and community housing waiting lists in some states.

That period also only captured the first 2,000 of our almost 20,000 new social houses under the stimulus package and under the National Partnership Agreement on Social Housing and more than 10,000 new dwellings have been delivered since these numbers.

But we know that, on current trends, it won't take long for aged housing to fall out of stock because of need for significant repairs and in less than two decades we will see a return to a downward trend of public housing stock.

And I fear this problem will only be exacerbated in coming years.

We know that future demand for overall public housing is estimated to be a 28% increase in underlying demand, or around 93,000 houses by 2023. In today's dollars that would cost about \$25 billion.

There is no way that State and Territory Governments backed by the Commonwealth can meet this demand alone. We need the community housing sector to play a key role here.

When we look to the future, we've got to look at population growth and at the demographic shifts that are taking place across the country - particularly, an ageing population.

And this is something I am concerned about: we are starting to see the first lot of baby boomers retire.

Those who have assets are likely to be alright but those who are life-long renters on low incomes or who have lost their home as a result of divorce or other factors - they may be in a difficult situation.

We know that demand for public housing for older Australians is projected to more than double by 2028.

I am also concerned about what this will mean for homelessness.

There are many barriers on the road towards ending homelessness. An outdated social housing system is one of them.

And I am deeply deeply concerned that many families and individuals will be without a housing solution if we don't fix the policy settings that have been programmed so poorly for so long.

In recent years we have seen a growth in the cohort of homeless people who are families and young people, which is a concerning trend.

If Governments across the country don't make a deliberate decision to change the current system, public housing will continue its terminal decline.

It can no longer be business as usual.

If we ignore the warning bells for too long, public housing which provides a critical safety net for families in need - will collapse.

I believe there will always be a need for some government provision of social housing - it just needs to be a more effective safety net.

And this takes me to my second point:

SOCIAL HOUSING AS A TRAP RATHER THAN A SPRINGBOARD

Unfortunately now, the public housing system has become a trap rather than a springboard for some Australians, who are capable of working and bouncing out of poverty but face big disincentives to leave public housing.

Public housing tenants face an effective marginal tax rate of returning to work that is 25 percentage points higher than if they privately rented.

There are estimated to be more than 110,000 tenants in this 'employment trap'.

The income-based rent-setting policies and the priority allocation system discourages some people on housing waiting lists from getting jobs.

As a former Employment Participation Minister but also as a Minister that wants to see individuals have the opportunity to work, for all the benefits it provides, I think this is a serious issue.

The Prime Minister spelt out one of the priorities of this Government in her recent speech to the Committee for the Economic Development of Australia:

To the maximum extent possible, I want to ensure that every Australian who can work, does work.

I want to ensure that the incentives of work always outweigh the attractions of staying on welfare.

The system cannot continue to work as a poverty trap for those who are able to work.

Its purpose should always be to enhance employment prospects and ability to participate economically - and that is very much how social housing started out in this country.

I know that economic and social participation is also a priority for your organisations.

I'm aware that, here in Melbourne the Port Phillip Housing Association's Ashwood Chadstone Gateway Project is setting new benchmarks by supporting tenants to get jobs.

This is fantastic stuff but in terms of the bigger picture of funding for social housing, we need to be ensuring that we are not seeing perverse outcomes where people are not actually helped out of poverty traps.

QUESTIONS, PROBLEMS...BUT ARE THERE ANY ANSWERS?

There is no one solution to fixing the social housing system but I have to say that this is where I see a huge role for the community housing sector.

We are going to see rapid change and growth over the next decade or so as community housing providers become increasingly sophisticated in terms of skills, increasingly innovative and increasingly financially savvy.

This Government is committed to seeing the community housing sector reach its full potential.

And that is why we are working with the states to establish a national regulatory system for community housing - to encourage sustainable growth of the sector.

Sustainable growth means risk is managed sensibly.

I do not want to see as Minister for Social Housing providers go under because growth has not been managed in a prudent way.

That is one of the reasons why I have argued so strongly for a national regulatory system that Housing Ministers around the country are currently working on.

I have refused to accept any arguments put to me that a national regulatory system will only lead to growth of the sector and bigger, more sophisticated players from interstate competing with established but smaller players.

I'm sorry but that is yet another example of state protectionism and I think it is a ridiculous argument against having a national approach to community housing regulation.

There will always be smaller players in community housing - some of them have niche markets and particular relationships in their communities and they play a valuable role. That will always happen and I completely support their role that they play.

But the Holy Grail needs to be encouraging a system that provides for growth of affordable and social housing stock. That is the most important social outcome here.

Sophisticated players will attract financial investment that they can leverage for growth and I say good on them.

Many of you are the “growth” providers - you have the capacity and the sophistication to grow and attract large amounts of private sector investment and that is a good thing.

You can then get involved in larger projects and reach the sort of scale that we need to be aiming for to make serious inroads into the affordable housing and social housing shortage.

If we want to reproduce the basic Bonnyrigg PPP model or if we want community housing providers to regenerate large portions of underused state land or large public housing estates where there are deep pockets of disadvantage, they need to be able to instil confidence in investors that they have the assets to leverage off and the skills to create a financially viable model.

But I understand that proper regulation is just one part of encouraging a thriving community housing sector.

I certainly believe that capacity building is another area and I know that members of PowerHousing agree that it is in everyone’s interests to assist this sector along the road to success.

I am currently examining options for how this could be delivered into the future - and it may take some time - but I do appreciate the feedback that PowerHousing and the Community Housing Federation of Australia have provided to the Government in this area.

As a Government, we want to see you continue to thrive and expand and build more affordable housing, because we have an enormous need out there in our community.

I am very hopeful that Housing Ministers will be in a position at the next Housing Ministers’ Conference in June to announce an agreed position.

Unfortunately, several Governments negotiating an agreed outcome is a painstakingly slow process and it is frustrating that things do not move more quickly, but at the same time, we need to get the balance right.

I don’t want to see a system that bounds community housing providers up in red tape.

We want to see a system that instils confidence in investors, encourages good practice and encourages growth across state borders.

NAHA – GETTING POLICY SETTINGS RIGHT

One brief but final point is on the NAHA.

The Australian Government provides \$6.2 billion over five years to the states and territories under the National Affordable Housing Agreement.

It's an agreement that we are half-way through and will be renegotiated in the next two years, but will provide an opportunity for reform which I have flagged a need for.

Of course, the Government has previously tried to implement reform in this way in the past.

During the last negotiation of the NAHA in 2008, some states resisted a shift from funding from a per capita basis to a per dwelling basis.

This outdated system means that in one state you could be getting more than \$4500 per dwelling each year and in another state you would be receiving less than half of that at around \$2000 per dwelling.

As a result, the more public housing a state has, the thinner they have to spread the Australian Government's subsidy.

It is simply unacceptable that this funding system creates a disincentive to build more social houses for people in need.

Parochial interests of the states should not stand in the way of a better housing safety net for all Australians.

CONCLUSION

Can I just finish off by encouraging everyone in this industry to think creatively about how we can better support people who have lucked out and need better housing support.

I encourage the sector to think about how you can grow but manage risk and attract the investment needed so you can leverage for growth.

The future of this sector will be what you help to make it. I think a lot of that depends on the maturity, the sophistication, the risk-management, and at the same time the boldness showed by this sector.

But I also know that Governments must do their role in planning properly for the future.

I don't believe we should be leaving an area as important as social housing to ad hoc evolution.

Every government needs to explore every option available to them as to how we can make social housing a viable system into the future.

This absolutely includes affordable housing policy more generally and this is where I am working with my colleague, Tony Burke, who has carriage of some important Commonwealth policies such as NRAS and the Housing Affordability Fund.

I know that PowerHousing has been at the forefront in terms of putting forward research and proposals about where we can take social housing into the future to create a more viable model and I greatly appreciate a dynamic exchange of ideas in this space.

Believe me, not all knowledge lies in Canberra

So please, use your networks - including your business networks, your overseas networks and your community networks.

Think creatively about how this housing challenge can be addressed and work with the Government - all levels of Government - on future policy and investment vehicles.

Reform is necessary and it is a complex area to deliver reform in -but eventually we must reform a system that is not only failing people in need at the moment but is only projected to fail many more vulnerable people into the future.

Thanks again for having me and I wish you all the best for the conference today.