



MASTER BUILDERS
A U S T R A L I A

23 April 2015

The Hon Chris Bowen MP
Shadow Treasurer
Parliament House
Canberra ACT 2600

Dear Mr Bowen

Master Builders Australia welcomes the opportunity to provide a considered response to your recent release of a "Discussion Paper on Housing Affordability". In particular, we commend your comments made in the Discussion Paper to place housing affordability 'front and centre' of your policy development process.

Master Builders shares your concern at the serious and increasing problem of housing unaffordability in Australia and the need for reform. As a nation, we have one of the highest levels of housing 'unaffordability' in the world.

Master Builders welcomes the pro-active tenor of your Discussion Paper, signalling a commitment to decisive action. Numerous inquiries by successive governments, of both political persuasions, have identified causes and proposed responses to the housing affordability problem. We recall in particular, two recent parliamentary inquiries (one in 2008, and another due to report soon), and a major report commissioned by the Council of Australian Governments. Master Builders have also produced a suite of reports, studies and submissions on the housing affordability problem offering practical and realisable policy solutions.

Master Builders has developed a bold and comprehensive National Housing Affordability Agenda (NHAA) that sets out reform options. Master Builders has identified six key areas for reform action to reduce housing affordability pressures in Australia, while increasing access to housing at the same time. These reforms cannot be achieved by any single administration working alone, but requires co-ordinated and committed action by all three tiers of government.



Master Builders Australia Limited
ABN 68 137 130 182
Level 1, 16 Bentham Street
(PO Box 7170)
YARRALUMLA ACT 2600

T 61 2 6202 8888 F 61 2 6202 8877
enquiries@masterbuilders.com.au
www.masterbuilders.com.au

First, there must be tangible outcomes from improving the supply side efficiency of the Australian housing market. One metric of the supply-side barriers to housing supply is the 'housing shortfall' – that is, the cumulative margin by which housing demand exceeds housing supply, which has been estimated by the ANZ Bank to be more than 350,000 dwellings in 2014, reaching as much as 375,000 dwellings this year.

Second, the introduction of contestable national competition-style payments to local governments for demonstrated improvements in their performance efficiency and outcomes which contribute to lifting housing affordability. This work, facilitated by an annual Report on Local Government Services (ROLGS), would include enhanced performance benchmarking, and promote greater yardstick competition between the more than 560 local governments across the nation.

Third, a rigorous stocktake of the approaches taken to developer/infrastructure charges by all local governments should be published annually, both to facilitate transparency in such charges and to assist in ensuring they are appropriately determined and administered. Where such charges are excessive and/or inefficient, they only serve to add to housing cost and affordability pressures.

Fourth, there is a need for governments to develop individual land release plans for their own jurisdictions over a ten year rolling time horizon. While such land release programs would likely be the prime responsibility of State, Territory and Local Governments, the Federal Government should also provide such plans for its own unused or under-utilised land holdings.

Fifth, there must be a genuine, rigorous, enforceable, transparent and uniform national building code and regulatory regime. Integral to this objective must be making transparent and minimising, and preferably eliminating unjustifiable, variations to the National Construction Code (NCC), all of which add to the costs of construction which in turn are reflected in higher house prices and diminished housing affordability.

Sixth, there needs to be a review of the impact of stamp duties on housing supply, including alternate approaches to revenue-raising. We note in particular the increasing interest being taken by some jurisdictions in using land taxes rather than stamp duties in their property tax bases, and the consideration of these issues by the Henry Report and the recently released Tax Discussion Paper. However, considerable care needs to be exercised in the design and implementation of any stamp duty/land tax trade-off.

Attached is Master Builders' submission to the current inquiry by the Senate Economics Reference Committee into Housing Affordability which provides additional discussion and information on these proposals.

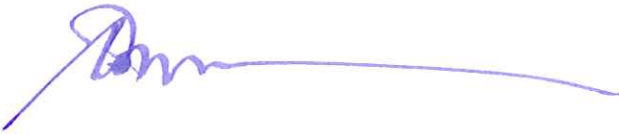
Your Discussion Paper also raises the challenging and urgent issue of public and social housing; in effect, the availability of affordable housing to those in genuine need. The Discussion Paper correctly observes the ostensible privatisation of social housing, with the increasing role being played by community and private organisations, and the wind back by governments, of the supply of such housing.

The supply of public and social housing is, of itself, a complex issue, with linkages to policy domains such as social policy (the causes of such need), and federal/state relations (what is the respective roles of each tier of government). Again, there is no 'single magic bullet' response to such issues. However, as you would recall from the roundtable on housing affordability which you chaired in Sydney recently there was general recognition of the need to substantially reform the National Affordable Housing Agreement (NAHA). The current model, based largely on money transfers from the Federal to the State/Territory Governments, has not worked, and should be replaced by a measurable, transparent and performance based system, where funds are distributed ex post for achieving agreed housing outcomes.

We would welcome the opportunity to discuss further any of the matters raised in this submission. It is imperative that we meet the housing challenge in Australia with well targeted reforms for both the private and public housing sectors.

In closing, we note your intention to open up debate on negative gearing of housing. We will actively participate in such a policy debate. Master Builders' unambiguous policy position is for no change to the current negative gearing provisions. The proper policy focus for government policy must be on tackling the housing supply problems.

Yours sincerely



Wilhelm Harnisch
CEO

Master Builders Australia

Housing Affordability:

Senate Economics References Committee

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Master Builders Australia Limited

ABN 68 137 130 182

Level 1, 16 Bentham Street (PO Box 7170), YARRALUMLA ACT 2600

T: +61 2 6202 8888, F: +61 2 6202 8877, enquiries@masterbuilders.com.au, www.masterbuilders.com.au

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1 Introduction

- 1.1 Master Builders Australia is the nation's peak building and construction industry association which was federated on a national basis in 1890. Master Builders Australia's members are the Master Builder state and territory Associations. Over 124 years the movement has grown to over 32,000 businesses nationwide, including the top 100 construction companies. Master Builders is the only industry association that represents all three sectors, residential, commercial and engineering construction.
- 1.2 The building and construction industry is a major driver of the Australian economy and makes a major contribution to the generation of wealth and the welfare of the community, particularly through the provision of shelter. At the same time, the wellbeing of the building and construction industry is closely linked to the general state of the domestic economy.

2 Overview

- 2.1 As a nation, Australia has one of the highest levels of housing unaffordability in the world – being second only to Hong Kong on global league tables of housing unaffordability.
- 2.2 In our major capital cities, housing is at best 'not affordable' in Brisbane, Hobart, Canberra and Darwin, and at worst 'severely unaffordable' in Sydney, Melbourne, Adelaide and Perth; and,
- 2.3 A number of our major (and growing) regional areas – such as the Sunshine Coast and the Gold Coast in Queensland, Coffs Harbour and Newcastle in NSW, Mandurah in Western Australia, and Geelong in Victoria - are also 'severely unaffordable'.
- 2.4 While there have been some indicators showing an easing in housing affordability pressures, this situation is unlikely to be sustained for a number of reasons, including:
 - government failure to deliver sufficient reduction in structural barriers to housing supply (most notably land release), especially at State and Local Government levels;

- the easing cycle in interest rates in Australia has likely reached its trough; and,
- the likely continuation of healthy rates of population growth in general, and from net overseas migration in particular, which will add to housing demand.

2.5 The Federal, State/Territory and Local Governments, working together, need to commit to and deliver, a bold and comprehensive National Housing Affordability Agenda (NHAA), key elements of which include:

- tangible outcomes in improving the efficiency, and the supply-side efficiency in particular, of the Australian housing market;
- local governments to develop individual Land Release Plans, and associated marketing strategies, for their own jurisdictions over a ten year ahead rolling time horizon;
- the realisation of a genuine, rigorous, enforceable, transparent and uniform building code and regulatory system;
- a review of the impact of stamp duties on residential property, and alternate approaches to revenue-raising;
- the annual publication of a rigorous stocktake of the approaches to developer/infrastructure charges by all local governments in Australia; and,
- commitments by all governments to deliver substantive outcomes which will raise labour productivity growth rates, including greater flexibility in labour markets emphasising genuine enterprise bargaining.

2.6 Finally, there have been sufficient reviews of the housing affordability problem;

2.6.1 these reviews have proposed sensible agendas for constructive reforms, which will help eliminate the barriers to housing supply and through this channel reduce housing unaffordability pressures; and,

- 2.6.2 the conduct of yet another review into housing affordability (and its derivative, affordable housing) points to government failure in taking sufficient concrete action to tackle the structural impediments to improved housing supply, and housing market efficiency.
- 2.7 In short, the building and construction industry, home buyers/ occupiers (whether first home buyers, up-/down-graders, or those in genuine need accessing social housing) need meaningful action on housing affordability, rather than more governmental reports to add to existing archival collections.
- 2.8 The problem and the solutions are well-known; it is meaningful action which is in short supply.

3 Terms of reference

- 3.1 The Australian Parliament on 13 December 2013 sent a reference to the Senate Economics Reference Committee to inquire into housing affordability in Australia.
- 3.2 Key terms of reference for the inquiry were consideration of the:
- effects of policies of all levels of government designed to encourage home ownership and residential property investment;
 - the effects of taxes and levies imposed by all tiers of government;
 - effects of policies designed to increase housing supply;
 - regulatory structures governing financial institutions and superannuation funds in the home lending and property sectors;
 - operation and effectiveness of rent and housing assistance programs;
 - contribution of home ownership to retirement incomes; and,
 - the need to improve oversight and accountability mechanisms for Federal grants to the States and Territories for housing programs.

- 3.3 The terms of reference also directed the Committee to examine the effects of planning and policies which impact on the access to affordable housing for certain social groups, such as vulnerable women, and emergency and essential services employees, and to facilitate the availability of a skilled labour force.
- 3.4 The Committee is required to provide its final report to the Parliament before 26 June 2014.

4 Previous Inquiries

- 4.1 Master Builders' notes there have been a number of important inquiries and reviews into barriers to home ownership and housing affordability challenges over the past few years.
- 4.2 Two of the most prominent of these inquiries/ reviews were:
- the Senate Select Committee Inquiry into Housing Affordability in Australia (conducted during 2008); and,
 - The Housing Supply and Affordability Report (HSAR) prepared for the Council of Australian Governments (COAG; delivered in 2012).
- 4.3 The Federal Parliament conducted an inquiry into barriers to home ownership in Australia during the 2008-10 Parliament.
- 4.4 The inquiry was undertaken by the Senate Select Committee on Housing Affordability in Australia, and published its final report in June 2008 (Parliament of Australia, 2008).
- 4.5 Key terms of reference for the inquiry were considerations of:
- the taxes and levies imposed by state and territory governments;
 - the rate of release of new land by state and territory governments;
 - proposed assistance for first home owners by Federal, State and Territory Governments, and their effectiveness in the absence of increased supply;
 - the role of all levels of government in facilitating affordable home ownership;

- the effect on the market of government intervention in the housing sector, including planning and industrial relations laws;
 - the role of financial institutions in home lending; and,
 - the contribution of home ownership to retirement incomes.
- 4.6 Master Builders made an expansive submission to this inquiry (Master Builders, 2008).
- 4.7 The main themes emphasised by Master Builders in that submission include:
- Australia has suffered for more than a decade from policy neglect by all levels of government;
 - there was an urgent need to develop a unified national strategy to combat the crisis in housing affordability;
 - the critical policy priority must be to deal with the problem of the lack of housing supply.
- 4.8 As such, the policy must adopt a 'supply side first' response;
- 4.9 the appropriate policy response involves a package of meaningful reforms which must include:
- improved land release programs (with greater roles for market signals), and planning approvals processes;
 - a review of developer (also known as infrastructure) charges, with increased funding for such infrastructure from general revenue sources; and,
 - the replacement of stamp duties with less distorting taxes.
- 4.10 The Committee in its final report made a number of important findings, including:
- there is a significant housing affordability problem in Australia;
 - housing affordability pressures impact both prospective home buyers and renters;

- housing affordability pressures reflect the interaction of strong demand and limited supply; and
- the shortfall in housing supply reflects three key factors, namely:
 - planning processes at State and Local Government levels are too complex, too costly, too lengthy in time and frequently too uncertain, which in turn impede land release and add to the cost of housing supply which is ultimately borne by the home buyer;
 - developer/ infrastructure charges can be excessive and act to restrict supply; and,
 - there is a shortage of skilled labour in the construction industry, which is likely to prevent the industry from meeting projected housing and other building and construction demands.
- stamp duties are inefficient taxes, a burden on home buyers and discourage people from relocating to more appropriate housing types (eg 'upsizing' or 'downsizing') as their needs change (eg family growth or retirement by 'empty nesters') and,
- the housing affordability problem is essentially structural, rather than cyclical, meaning policy responses must include longer term solutions, one of which is encouraging regional decentralisation/ development.

4.11 The Housing Supply and Affordability Report (HSAR) provided to the Council of Australian Governments (COAG; COAG, 2012) made findings which largely echoed those of the Senate Select Committee report;

- an indicator of government failure in delivering meaningful progress in the intervening period in actioning barriers to improving housing affordability in Australia.

4.12 Key findings of the HSAR include:

- builders and property developers face significant delays, uncertain time frames and unpredictable regulatory burdens in supplying new land and housing to the market place, which in turn add to the costs of housing supply;
- planning approvals processes imposed by State and Local Governments add to housing supply costs, and so reducing housing supply and overall housing affordability;
- infrastructure provision charges imposed on property developers lacked consistency, transparency and predictability. Where such imposts are applied they should be efficient, transparent, accountable, predictable and equitable;
- government housing programs should be reformed to improve housing affordability for low income households and the effectiveness of such programs for those in greatest housing need; and,

“... (delivering) reforms that remove impediments to housing supply will remove unwarranted pressure on house prices and ensure that the quantity, location and type of housing stock meets the community’s needs over time.”

“Improving the responsiveness of the housing supply chain can also enhance other factors that contribute to community well-being, such as increasing labour mobility.” (at page 3).

4.13 A review of these two reports alone sends a key message:

- there have been sufficient reviews of the housing affordability problem;
- these reviews have proposed sensible agendas for constructive reforms, which will help eliminate the barriers to housing supply and through this channel reduce housing unaffordability pressures; and,
- the conduct of yet another review into housing affordability (and its derivative, affordable housing) points to government failure in taking sufficient concrete action to tackle the structural impediments to improved housing supply, and housing market efficiency.

5 Housing affordability challenges

5.1 Housing affordability remains a serious economic and public policy challenge in Australia.

5.2 A detailed study undertaken by Master Builders (Master Builders, 2012) found, inter alia:

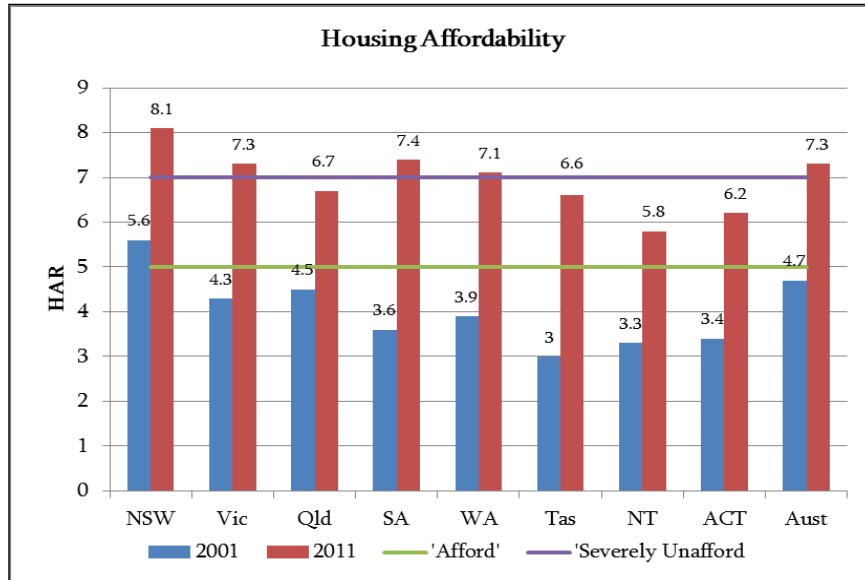
- as a nation, Australia has one of the highest levels of housing unaffordability in the world – being second only to Hong Kong on global league tables of housing unaffordability;
- in our major capital cities, housing is at best ‘not affordable’ in Brisbane, Hobart, Canberra and Darwin, and at worst ‘severely unaffordable’ in Sydney, Melbourne, Adelaide and Perth; and,
- a number of our major (and growing) regional areas – such as the Sunshine Coast and the Gold Coast in Queensland, Coffs Harbour and Newcastle in NSW, Mandurah in Western Australia, and Geelong in Victoria - are also ‘severely unaffordable’.

5.3 Housing affordability was measured as the median house price divided by the median income of the house purchaser (reported as the Housing Affordability Ratio; HAR), which allowed for the following categorisations:

- Affordable: where the HAR was less than 5 times (that is, the median house price was less than 5 times the median income of the home buyer), implying a loan repayment ratio of 26 per cent of income;
- Moderately unaffordable: where the HAR was between 5 and 6 times, implying a loan repayment ratio of 35 per cent of income;
- Not affordable: where the HAR was between 6 and 7 times, which would imply a loan repayment ratio of 42 per cent of income; and,
- Severely unaffordable: where the HAR was 7 or more times, which implied a loan repayment ratio of at least 52 per cent of income.

5.4 Graph 5.1 shows the pattern of the deterioration of housing affordability across the Australian States and Territories between 2001 and 2011.

Graph 5.1: Housing Affordability in Australia



5.5 As can be seen, all of the Australian States (except NSW) were in the affordable range in 2001 (that is, below the horizontal green line).

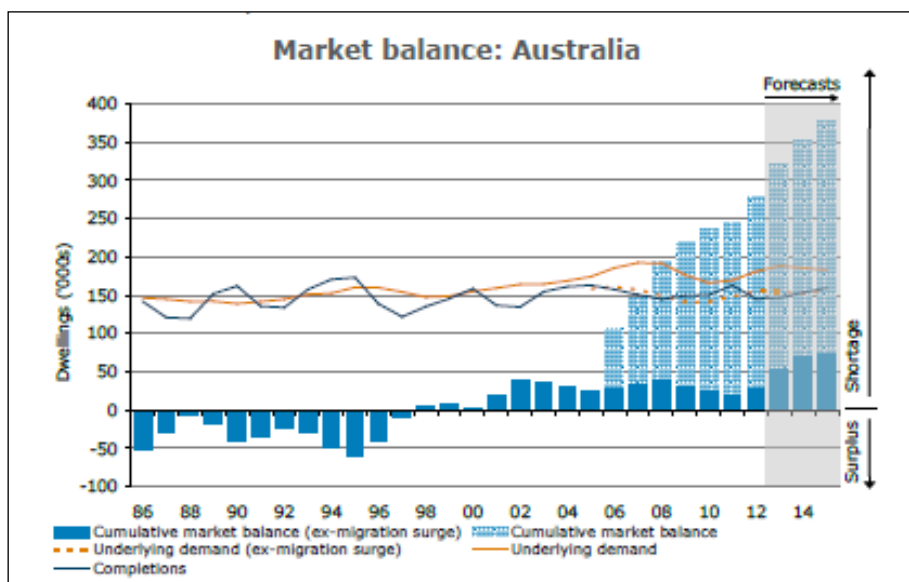
5.6 However, by 2011 none of the States were in the 'affordable' range, with four of the eight being in the 'severely unaffordable' range (that is, above the purple line).

5.7 More recent figures (Demographia, 2014) shows housing remains severely unaffordable in all of the mainland housing markets with:

- deteriorations in housing affordability in Sydney (HAR increasing from 8.3 in 2012 to 9.0 in 2013), and in Melbourne (from 7.5 in 2012 to 8.4 in 2013), with little change in Adelaide, Brisbane, Canberra and Perth; and
- while regional markets such as Port Macquarie (NSW), and the Gold and the Sunshine Coasts (Qld) continue to be severely unaffordable (with HAR values of 8.1, 8.0 and 7.7 respectively).

- 5.8 Any hopes amongst prospective home buyers for an easing in housing affordability pressures are unlikely to be realised given, inter alia:
- government failure to deliver sufficient reduction in structural barriers to housing supply, especially at State and Local Government levels;
 - the easing cycle in interest rates in Australia has likely reached its trough; and
 - the likely continuation of healthy rates of population growth in general, and from net overseas migration in particular, which will add to housing demand.
- 5.9 These factors, placing upward pressure on housing (un)affordability, are likely to be compounded by the continued shortfall in housing supply,
- 5.9.1 with the demand for housing continuing to outstrip supply, reflected in the market imbalance deteriorating over the foreseeable future.
- 5.10 Graph 5.2 reports estimates and forecasts by the ANZ Bank (ANZ, 2013) of the cumulative market balance in the Australia housing market since the mid-1980s.

Graph 5.2: Housing Shortfall in Australia



- 5.11 The ANZ Bank estimates the cumulative housing shortage increased from around 100,000 dwellings in 2006 to around 275,000 dwellings in 2012.
- 5.12 Looking ahead, the ANZ Bank sees the shortfall rising to around 350,000 dwellings in 2014, and then to some 375,000 dwellings in 2015.
- 5.13 These forward estimates are broadly consistent with those produced by the Federal Government's former National Housing Supply Council.
- 5.14 This growing gap between demand and supply, and market signals of strong, and growing, demand from housing investors, both domestic and international, point toward greater upward pressure on house prices and hence a deterioration in housing affordability over the foreseeable future.

6 Reform priorities

- 6.1 The Federal, State and Territory, and Local Governments need to recommit to the goal of making housing more affordable and to working together to achieve this priority objective.
- 6.2** Meaningful and sustainable improvements in housing affordability can be achieved by the Federal, State and Territory, and Local Governments, individually and collectively through COAG, committing to a common and National Housing Affordability Agenda..
- 6.3 The Federal Government, through COAG should provide ex poste 'competitive, efficiency dividend' payments to the State, Territory and Local Governments for delivering housing affordability policy outcomes against key performance metrics including:
- adequate supply of 'releasable' land, whether 'greenfield' or 'brownfield';
 - streamlined and more efficient building and planning approvals processes;
 - agreed 'master plans' covering urban and regional infrastructure plans and urban consolidation;

- adherence to the Building Code of Australia, and removal of State and Local Government variations; and,
 - reforms to infrastructure (also known as ‘developer’) charges.
- 6.4 The performance outcomes to be achieved, and the key indicators to be used to measure those outcomes (as distinct from endeavours) should be determined by an independent panel drawn from key stakeholders, in particular representatives of the building and construction industry.
- 6.5 The achievement of these outcomes/ indicators, and the apportionment and quantum of the ‘competitive, efficiency payments’ across the State, Territory and Local Governments would be assessed by an independent panel comprising commissioner or the equivalent level personnel from the Commonwealth Grants Commission, the Productivity Commission and the Federal Department of Finance.
- 6.5.1 To be clear, the onus of proof for the payment of competitive, efficiency dividends will lay with the State, Territory and Local Governments.
- 6.6 The other key elements of a National Housing Affordability Agenda should also include:
- tangible outcomes in improving the efficiency, and the supply-side efficiency in particular, of the Australian housing market;
 - local governments to develop individual Land Release Plans, and associated marketing strategies, for their own jurisdictions over a ten year ahead rolling time horizon, with greater roles for market signals and the private sector;
 - the realisation of a genuine, rigorous, enforceable, transparent and uniform building code and regulatory system;
- 6.6.1 In this context, there is strong support within the building and construction industry for making the National Construction Code (NCC) free-on-line, and better integration of relevant Australian Standards into such documentation.

- A review of the impact of stamp duties on residential property, and alternate approaches to revenue-raising, recognising such transaction costs are inefficient taxes and impede movement within the housing market;
- The annual publication of a rigorous stocktake of the approaches to developer/infrastructure charges by all local governments in Australia; and,
- commitments by all governments to deliver substantive outcomes which will raise labour productivity growth rates, including greater flexibility in labour markets emphasising genuine enterprise bargaining.

6.7 The primary policy challenge for the Federal, State, Territory and Local Governments in Australia is in the first instance to facilitate an efficient Australian housing market.

6.8 An efficient housing market would have a number of features, including:

- a supply-side which is responsive to changes in demand-side drivers;
- one not burdened by distortions to market prices (the principal method by which housing demand signals are transmitted to housing suppliers);
- regulatory, as well as subsidy and taxation interventions, which distort and reduce the efficient operation of the housing market, are minimal, transparent and based on sound economic principles; and,
- where governments and other regulators wish to achieve social and other policy objectives in the housing sector, these outcomes be pursued through directly relevant policy instruments and in a manner which has the least possible distortionary impact on the housing market.

- 6.9 The Council of Australian Governments (COAG), and the Federal Government in particular, should develop and first report on key performance indicators for housing market efficiency:
- the Productivity Commission (PC) should develop, and publish annual updates of, the housing market efficiency performance indicators; and
 - engaging with other, and third party agencies in government and the private sector to progress this work to ensure its depth and relevance for housing policy-makers and those in housing market practice.
- 6.10 All Local Governments in Australia develop individual Land Release Plans which identify and provide an indicative forward schedule of 'brownfield' and 'greenfield' land over a rolling 10 year ahead time horizon which could progressively be made available for residential housing development.
- 6.10.1 These Land Release Plans would, inter alia, identify specific tracts of land within own-jurisdictions, set down timelines for their prospective availability for residential development, any regulatory or other requirements which may impede the land release process, generally and for specific tracts of land, and nominate those tracts which would be 'development-ready' within five years; and,
- 6.10.2 the respective State/Territory Governments would be required to subject these Land Release Plans to competitive benchmarking and other performance evaluations, whom in turn would be subject to benchmarking and evaluation by the Productivity Commission as part of the regular Report on Government Services (ROGS) processes.
- 6.11 The Federal, State and Territory Governments champion a national uniform and enforceable building code and regulatory system to ensure the development and continuation of an efficient and competitive building industry;
- 6.11.1 continue to play an active leadership role in the ongoing development and refinement of the Building Code of Australia (BCA) as the central document that specifies a national set of building requirements consistently across Australia; and,

- 6.11.2 work to change the current system to introduce further controls on local governments so they no longer have a free hand to add new regulations and conditions on buildings that hinder development and inflate costs, and raise house prices and reduce housing affordability.
- 6.12 Federal, State and Territory Governments, as a first step, honour their commitment to abolish stamp duties on business conveyances of real property made in the 1999 Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations (which, more than a decade later, has still not been delivered).
 - 6.12.1 This should be followed by a rigorous review of the impact of stamp duty on residential property, and alternate approaches to revenue-raising.
- 6.13 The Federal Government in conjunction with the State and Territory Governments, prepare and publish annually a stocktake of the approaches to developer/infrastructure charges used by all State, Territory and Local Governments in Australia.
 - 6.13.1 The stocktake would examine, inter alia, the nature, the processes involved and the incidence of the developer/ infrastructure charges imposed on 'brownfields' and 'greenfields' (both fringe and infill) developments for a normalised set of developments (eg four bedroom, two bathroom detached dwelling; a twelve unit apartment block).
 - 6.13.2 Over time, this work be integrated into the Productivity Commission's annual Report on Government Services (ROGS) processes, to enable existing and prospective home owners, and the residential construction industry, to engage in competitive benchmarking of local governments across the nation.

- 6.14 Federal, State and Territory Governments step up their commitment to deliver substantive outcomes which raise labour productivity growth rates, such as:
- greater flexibility of labour markets, emphasising genuine enterprise bargaining;
 - improve the outcomes from, and returns to, skills education and training, particular in areas of existing and expected skills shortages;
 - reducing the income tax burden borne by wage and salary earners, through further increases in tax thresholds and reductions in marginal tax rates, and the introduction of full tax indexation;
 - reducing the labour taxes imposed on employers, such as payroll tax, as well as broader reform of the business tax system; and,
 - the elimination of inefficient regulations which distort market signals, through regular, rigorous and transparent regulatory impact assessment processes.

7 Social housing

- 7.1 An important feature of Australian society is a willingness to provide assistance to those in greatest, genuine need.
- 7.1.1 Over the three financial years up to and including 2011/12, Federal, State and Territory Governments spent more than \$23.6 billion in providing social housing.
- 7.1.2 This figure does not include the contribution made by non-governmental community housing providers, such as charities and religious organisations, which could add as much as a further 15 per cent in social housing outlays.
- 7.2 Social housing provides a roof-over-the-head for more 400,000 – or about 5 per cent of - Australian households.
- 7.2.1 Of those households in social housing, around three-quarters (nearly 300,000 households) are in public housing, provided by Federal, State and/or Territory Governments, either through various financial support programs and/or as de facto landlords.

- 7.3 The performance of the public housing sector is, at best, mixed. A review of key performance indicators shows:
- public housing is stepping back from providing social housing, with community housing taking on an increasing workload;
 - public housing waiting lists continue to grow, with the number of greatest needs applicants on waiting lists quadrupling in the three years to 2010/11;
 - waiting times for public housing have risen in 2011/12 to an average of 2.6 years for those in greatest need, and 7.7 years for all-applicants on the waiting list;
 - the average cost of providing public housing dwellings increased by around 25 per cent in real (inflation-adjusted) terms over the past decade, with the cost of land component growing by around 30 per cent;
 - turnaround times for vacant public housing have risen from an average of 25 days in 2008 to 29 days in 2012; and,
 - some 21 per cent of the public housing stock was being used inefficiently (either under-utilised or over-crowded) in 2012, well up (just over 60 per cent) on the rates experienced in 2008 and 2009.
- 7.4 Master Builders accepts providing public housing is a challenging undertaking. However, taxpayers are entitled to see their taxes spent effectively and efficiently.
- 7.5 The National Affordable Housing Agreement (NAHA) is a key mechanism for providing housing assistance to those in genuine housing need, and an important instrument of social policy in Australia.
- 7.6 However, the existing NAHA is flawed by design.

- 7.7 In its current form, NAHA is focused:
- on the ‘symptoms of the problem’ (namely the supply of affordable housing) rather than more properly; and
 - on ‘the causes of the problem’ (namely meaningful action to improve housing affordability).
- 7.8 The better approach for NAHA (and/or its successors) must be to clear the roadblocks to improved housing affordability (especially those imposed by State, Territory and Local Governments), which will help to increase the supply and reduce the cost of housing, rather than providing government subsidies and other forms of assistance to try to offset unwarranted cost pressures on the supply and the price of housing.
- 7.9 To use a popular saying: NAHA puts the cart (affordable housing) before the horse (housing affordability).
- 7.10 Master Builders recommends an overhaul of the NAHA through:
- the negotiation and adoption by COAG of a National Housing Affordability Agreement (NHAA)
 - that sets down, inter alia, outcomes, roles and responsibilities, performance indicators and metrics, and timelines for meaningful action to reduce, if not eliminate, government-sourced impediments to improved housing affordability,
 - building on the frameworks of Master Builders’ housing affordability reform agenda, discussed above, and COAG’s Housing Supply and Affordability Report (HSAR),
 - which over-arches specific, sub-ordinate agreements on improving the supply of housing for those in genuine need.
- 7.11 Master Builders’ supports the use of National Partnership Agreements (NPAs), in style, to implement key elements of the NAHA.
- 7.12 However, NPAs (like NAHA itself) are ‘second order’ elements of broader strategies to deal with the problems at hand.

- 7.13 Priority must be given to dealing with the primary causes of the underlying social policy problems, rather than just dealing with the symptoms of those problems.
- 7.14 Future NPAs (either by renegotiation of existing, or negotiation of new, instruments) should emphasise:
- the priority to be given to dealing with the underlying social problem of policy concern;
 - the importance of clearly defined and measureable objectives and performance benchmarks; and,
 - include competitive bid process, to improve value-for-money for taxpayers.

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