

**SPEECH BY THE MINISTER FOR SOCIAL SERVICES,**

**THE HON KEVIN ANDREWS MP**

**CLOSING ADDRESS TO THE NATIONAL HOUSING CONFERENCE,**

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**\*\*\* CHECK AGAINST DELIVERY \*\*\***

Ladies and gentlemen, it is a great pleasure to be here today and can I thank the Australian Housing and Urban Research Institute for inviting me to deliver this closing address to the National Housing Conference. This is the first major speech I have delivered on housing since the election, indeed, since my appointment as the Minister for Social Services. This is an area that is so important to the economic and social prosperity of this country.

This afternoon, I want to take the opportunity to outline the Government's approach to housing and, in doing so, mark the commencement of a new dialogue, a new engagement, between the Abbott government and your sector. This government has adopted a considered, methodical and measured approach to policy. My approach to housing policy will be simple; it will focus on developing policy through consultation; it will focus on delivery and it will focus on outcomes. Importantly, we are a government that will listen.

### **Housing in Australia**

There is currently a national housing problem in Australia. It might not be on the front-pages, it might not be the hot media topic of the day, but, as you well know, we've got a problem.

Put simply, as a nation we do not build enough private dwellings for our growing population.

Since the mid-1980s, we have produced on average around 150,000 new private dwellings annually, decade after decade. We will, again, produce another 150,000 new private dwellings this year.

Over the same period our nation's population has grown by 45 per cent that is, by over 7.1 million people.

And, in the five years before the 2011 Census, the average number of persons per dwelling was growing for the first time in 100 years.

Those of you who work in the sector, know the problems we face. You live and breathe them every day. The fact is that there has been an absence of national leadership by government in driving a solution to the housing supply crisis that is looming.

The National Housing Supply Council has estimated the national shortfall in housing stock in 2011 was 228,000 dwellings. Assuming historic demographic and supply trends continue, this gap will increase to nearly 370,000 dwellings by 2016, and 663,000 by 2031.

Moreover, if current growth trends are repeated in the coming five year period, then by 2016 the national dwellings shortfall will be around 512,000. And by 2031, the shortfall will be a staggering 1.28 million dwellings.

What is of concern is the flow-on impact caused by a growing supply gap. The affects are felt by both buyers and renters.

The impacts of the housing shortfall are real. They affect people's lives; by delaying family formation, due to lack of suitable housing; by making peoples livelihoods uncertain and insecure. The number of people experiencing housing stress is increasing.

Promoting housing growth has advantages beyond the obvious social and financial benefits for individuals. At a time when natural growth has slowed, and unemployment is rising, renewed construction development is a worthwhile antidote.

Housing construction represents 4.8 per cent of GDP and amounts to 0.7 per cent of national employment, 82,000 people are employed in the residential building construction sector – this part of our economic activity has diminished in recent years and we need to find a way to turn this trend around.

### **The States and Territories must take the lead**

In 2012 the RBA found that the process of converting farmland to new dwellings has taken around six or more years and for infill developments the process has taken around five years.

I know that the extra time and cost of accessing land and navigating planning regulations is a disincentive to building new housing stock; unfortunately, these are matters over which I have little direct control as the Commonwealth Minister.

As you know only too well, the State and Territory governments have the primary responsibility for the supply of housing, including land release and planning processes. The states and territories need to drive more regulatory reform in housing. They need to streamline development processes. They need to cut red and green tape. They need to adopt the Commonwealth's lead and pursue a strong plan for deregulation.

And it is time for the states and territories to closely look at the taxes levied on our nation's development. The Australian government is providing a powerful demonstration to the states on what needs to be done. When the Commonwealth Parliament resumes, our first item of business is introducing legislation to repeal the carbon tax. Abolishing this tax will make housing supply cheaper. It will reduce the cost of an average new dwelling by around \$6,000.

## **Home Ownership**

We have one of the highest rates of home ownership in the world, with more than two-thirds of all Australians enjoying the benefits of being home owners. Home ownership is about more than owning property. It is the foundation of personal commitment, family formation, and an investment in the future. As Darryl Kernigan in that iconic Australian movie *The Castle* said, "It's not a house, it's a home".

The government recognises the sacrifices home owners make. They work hard and save for a deposit. They work hard to pay off their mortgage. They provide shelter and security for their families. And they do so in the hope that they will have security in retirement.

Home ownership in the 25-34 year old group has dropped below 50 per cent. It is now harder than ever for young Australians to establish their financial security by owning their own home.

We need to stop this trend and, critically, we need to reverse it. I don't believe the solution is taxing the benefits of home ownership, as some commentators have suggested.

## **Private Investment**

I was pleased to note that private investment in housing was a subject of discussions during the conference.

Encouraging a multifaceted approach to increasing private investment across the housing continuum is important and your contribution is therefore invaluable.

Of course, it is important that we continue to attract a variety of investment portfolios into housing, specifically private rental. This in turn supports economic growth.

Addressing inefficiencies in the market will help improve the viability of investing in housing and attract more private investment to the sector.

The lack of affordability is felt across the housing market and the impact is felt the hardest by those on low incomes.

There are currently a number of federal initiatives to address the impact of housing affordability.

Indeed, investment is an area where the Commonwealth is part of the solution. I firmly believe that if we get the economic settings right – if we balance the budget – it will help create the environment for greater investment in housing.

## **National Affordable Housing Agreement**

A priority of mine is to address issues between the Commonwealth and State and Territory governments under the National Affordable Housing Agreement.

Whilst the NAHA has built into its objectives and strategies to grow the supply of dwellings across the whole market, it has failed to deliver, adequately.

Moreover, it is hard to know exactly what the NAHA has achieved in terms of the historical public housing sector that was previously funded under the Commonwealth State Housing Agreement. This is because finding out which states and territories are successfully increasing affordable housing stock is very difficult and designing improvements to the system is almost impossible.

From the Commonwealth's perspective, it feels like we are simply throwing money over the fence.

It would not be surprising if some, if not most, of the states and territories are spending less, in real terms, on public housing now than they did under the former Commonwealth State Housing Agreement. But without reliable reporting, we simply do not know.

I have long campaigned for greater transparency and accountability. Now, as Minister, I believe the National Agreement should incentivise performance.

It should set benchmarks and performance measures and it should drive competition.

And it must improve reporting on what is actually being delivered.

Providing money without being provided outcomes is no longer good enough.

Our approach should be to seek to tie funding of programs to outcomes.

We want to be able to see what these outcomes are.

And we want to see what the federal dollars, money the Australian taxpayers have provided, has achieved.

Improvising NAHA is something that the government is currently considering in some detail. And once we have taken the relevant decisions, I am committed to working with my state and territory counterparts to drive reform.

I appreciate the enormous expertise that exists within the sector. Therefore, for those here who have suggestions on how the NAHA can be improved, I would welcome your input and welcome your experiences and your views.

My approach is not a talk-fest. I want to work collaboratively with my state and territory colleagues to achieve a lasting legacy of helping all Australians gain safe, affordable and appropriate housing. It is for this reason critical that states and territories remain accountable for delivering affordable housing stock.

I have already had a number of conversations with the States and Territories, and I will continue to encourage them to consider how best to meet the growing need for different types of affordable housing in both city and country areas.

### **National Rental Affordability Scheme**

Over the past six years rents have grown much faster than the general rate of inflation.

The Government understands the important role that National Rental Affordability Scheme can play in providing more affordable rental housing, particularly for lower income earners.

However, there is significant scope to improve the administration of the scheme to spur delivery.

#### **“Use it or lose it”**

A particular concern I have had relates to a practice that some call the “trading” of NRAS incentives.

I am interested in further exploring a “use it or lose it” approach with NRAS incentives. If adopted, this would involve taking a harder line to changes to promised delivery dates, locations and dwelling types to further incentivise delivery being on time and to the standard expected.

#### **Charities to choose how they want to receive their incentives**

I am also currently considering what greater flexibility might be needed in relation to the way charities receive their NRAS incentives.

Some charities may change their NRAS business model over time. Where they decide to sell some of their NRAS homes to small investors they need to receive future incentives as tax offsets, rather than cash, so the benefits can be passed on to the investors.

Accordingly, there may be some scope for the Government to consider giving charities the flexibility to change the way they receive their incentives.

#### **Feedback on these suggestions**

However, before I take any action on either NRAS or changes to the payment election arrangements, I am interested in hearing the views of those who might be affected by these changes to ensure any new arrangements are workable and do not have unintended consequences.

As NRAS is a Commonwealth/State program, I am also seeking the views of the states and territories before any final decision is taken on changes.

#### **Homelessness**

Can I turn then to homelessness.

The supply constraints I have spoken about also impact on those who are homeless and at risk of homelessness.

The largest growth in the ABS homelessness statistics in the 2011 census were for those people living in severely crowded dwellings. These are dwellings that need at least four or more bedrooms to adequately accommodate the residents.

Put simply, severe crowding is the painful edge of our supply constrained housing market. It’s the bellwether of problems to come if we do not take action.

I understand that supply is not the only issue for homeless people.

My Department advises me that around \$250 million in the NAHA has its origins in former programs for homeless Australians.

I am therefore keen to ensure that any reform to the NAHA recognises the need for continuing investment in effective services that provide stable pathways to housing and further training and employment.

Many of you would have seen recent reports regarding the Prime Minister's Council on Homelessness. The government will be winding down the operations of this Council. Working collaboratively with stakeholders and industry is critical, but under this Council's watch, homelessness has increased. I am currently considering what forum or engagement model might be best to provide sector-based advice on social and welfare issues.

### **Conclusion**

Ladies and gentlemen, as the Minister responsible for housing, I believe in growth; I want to grow the entire housing market for all Australians – not just on making a contribution to a small and shrinking public housing sector that accounts for less than 4 per cent of dwellings.

While social housing has an important place in the provision of housing, it alone cannot fix the serious shortfalls we face.

We must energise the housing construction sector.

We need to leverage private investment.

And we need to work across the public, private and community sectors.

Unless we do these things, we face a looming social crisis.

I am keen to have a strong, robust and ongoing dialogue with the sector – be it state housing authorities – community housing providers – accommodation support providers – or the construction and finance sectors. Your views are critical to the development of realistic, pragmatic and long-term solution.

I look forward to working with you.

*Listen to the speech at: <http://kevinandrews.dss.gov.au/speeches/23>*