

STATE of SOUTH AUSTRALIA

Trends and Issues 2006 Update

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Introduction

'Housing in South Australia has continued to be more affordable than the national average' (Government of South Australia 2006 p. 85), reflecting its policy foundations, which have varied significantly from other states. Historically, the key difference has been a greater emphasis on direct government involvement in the provision of housing for both home ownership and social housing. This activity was closely integrated with wider economic and social development and planning.

However, contemporary policy directions and housing trends in South Australia are following national patterns and the problem of housing affordability continues to worsen. The 2006 South Australian Strategic Plan Progress Report (SASPPR) notes, for example, that 'the long-term trend has been that housing in South Australia has become less affordable over time, particularly when considered over the last five years.' (Government of South Australia 2006 p. 85) South Australia's public housing supply continues to decline through redevelopment of social housing estates and sale – down from 56700 units in June 1997 to 45650 units in June 2005 (2005 figure taken from AIHW 2005). About 25000 households are on the waiting list for public housing even with the tighter targeting of recent years. There are some positive trends. South Australia's community housing system continues to grow steadily. By August 2006, HomeStart Finance, the South Australian Government initiative to foster access to finance for lower income home ownership, had financed 50000 households into home ownership since its inception in 1989.

This year, 2006, has seen some major housing policy and program changes which will finally see some of the foundations of the unique South Australian housing model abandoned, in particular the independent role of the South Australian Housing Trust. The pressure to fundamentally change and

curtail the role of the Trust in South Australia's housing system has taken 30 years to bear fruit. For those with long memories, that case was first made in the mid 1970s during the Dunstan period through an alliance of policy advisors – John Mant principal among them – and local community housing activists. (Marsden, 1986) The influence of the case for change has waxed and waned since then.

In recent years, the Trust has faced major problems in managing higher service demands, declining income and financial strictures. Its role has been curtailed and wound back. The Trust has been under siege for some time and the Rann Government has given up the task of trying to retain its traditionally wide role in the South Australian housing system and to place it on a firmer economic and social footing. Indeed, in mid 2005, the State Minister of Housing Jay Weatherill sought to defend the Trust by reference mainly to its recent activities in redevelopment of its old estates – worthy and necessary to be sure but only one aspect of the Trust's original mission and purpose (Weatherill 2005).

Now in 2006, we have finally reached the point where the unique balance between public and private housing investment and administration associated with the Trust will be officially abandoned. As Gary Storkey, CEO of HomeStart and a central advisor to government on the recent reforms has noted, 'I think the Housing Trust as we know it is coming to an end. The idea of state-based institutions is dying. Communities in the future will be stronger and more cohesive and empowered.' (McPherson 2006) Before the changes are discussed in more detail, the housing targets in the South Australian Strategic Plan (SASP) will be briefly analysed.

Key Housing Trends and Indicators in the SASP

The South Australian Strategic Plan (SASP) contains two main targets related to housing – T6.6 – Affordable Housing and T6.7 – Housing Stress. The focus of T6.6 is on the costs and affordability of home ownership while the focus of T6.7 is primarily the costs of rent as a proportion of income. The SASPPR proposes two changes in relation to these targets both of which deserve comment:

1. It is proposed that targets T6.6 and T6.7 be merged. There is some relationship between the two targets but it is not clear how a merged target would actually assist in clarifying the issues faced by purchasers and renters with low incomes. Home purchasers and renters face different market pressures. The policy instruments available to government to assist households in both tenures also differ – rent assistance in the case of renters and various initiatives to keep housing affordable in case of home owners. Given these factors, there is a clear need to retain separate targets.
2. It is proposed to remove from the 25% housing cost/ income benchmark from T6.7 and to focus on the 30% benchmark. This would mean that official measures would focus in future on a lower number of households in housing stress. The SASPPR defends this proposed change on the grounds that the 30% benchmark is now the national standard. Nevertheless, it is sensible to maintain the 25% benchmark for the lowest-income households given the pressures on their incomes. It might be sensible to apply the 25% benchmark to those below a certain income threshold (say those households with the lowest 30% of incomes) and 30% to those better off who have more discretion in their spending. Even if there is a national consensus about the 30% measure, this doesn't mean that South Australian strategy and monitoring necessarily needs to follow. There might also be a case for closer monitoring against these benchmarks given the ongoing job losses and harder economic times in South Australia's manufacturing industries.

Policy Issues and Directions

Given their significance, the South Australian housing reforms announced in mid 2006 deserve analysis especially as they will have an impact on the achievement of housing related objectives in the SASP and beyond. There are a number of aspects of the reforms. First, it is proposed to bring to an end the role of independent statutory authorities in public, community, and aboriginal housing in South Australia. Subject

to passage through the South Australian Parliament of new and amending legislation, the roles of the SA Housing Trust, SA Community Housing Authority and the Aboriginal Housing Authority as they are currently organised will cease. Instead, the work of all three authorities is being brought under the umbrella of the Department of Families and Communities (DFC) thereby giving government much more direct bureaucratic and ministerial control over housing policies and programs.

There are three central housing aspects of the reforms – targeting a declining public housing supply to those most in need; divesting and transferring more public housing to housing associations and housing cooperatives to allow greater community and self-management in social housing; and pursuing new affordable home ownership and rental housing schemes through public-private partnerships which stipulate levels of affordable housing supply. A summary of the views of Peter Smith, one of the key DFC officers responsible for the reforms, puts their likely impact thus:

'We think that we have to do several things. Reduce public stock to a level we can sustain without selling all properties (and) reduc(e) outcomes in public housing. The Minister said he wants to re-configure the stock. (Retain) 15000-20000 properties in public housing (rough ball park figure) (and create new) growth in community housing. . . the Affordable Housing Trust (can) take care of the (traditional Housing Trust) role (in facilitating access to) low income affordable housing.' (CHCSA 2006 p. 7 – our additions in italics)

The new SA Affordable Housing Trust is being established as an arm of the DFC. It will have the role of encouraging and facilitating greater private sector involvement through public-private partnerships in low-income home ownership and rental housing schemes. Public funding for the new Trust's activities will derive in part from proceeds from the sale of the old Trust's housing (DFC 2005b).

All of these changes are justified on the basis of the need to modernise and change housing policy and programs making them more accountable to central ministerial and bureaucratic control; better focussed on 'citizen and customer centred service' and community partnership; and more aligned with commercial principles in the management of public assets.

They are also a response to changing directions in national housing policy. Funding under the Commonwealth-State Housing Agreement (CSHA) is declining while South Australia is missing out on the support coming from the Commonwealth Rent Assistance (CRA) scheme to those renting privately given our higher proportion of low-income households in public rental housing (Smith 2006a).

The early reaction to the reforms has been both positive and negative. Some defend the government's 'realism' in acknowledging the need to target public housing to the most vulnerable households, and to attend separately to the demand for home ownership and rental housing for those better-off households who nevertheless find it difficult to gain access to affordable housing without public assistance. New partnership models between public, private and community actors are necessary at the State level given the absence of national attention to housing problems (Jacobs 2006). On the other hand, critics argue that the changes give little hope to those on the public housing waiting list to gain access to the housing they need (Owen 2006), while the policy changes have 'effectively outsourced responsibility for providing low-cost housing to the private sector' (Wiese Bockmann 2006). As if to partly acknowledge the latter point, Housing Minister Jay Weatherill has recently and rather belatedly resurrected the role of the older Housing Trust idea of the rental purchase of public housing given the problems of affordable home ownership (Kelton 2006b).

The supply of land for new urban development recently emerged as a major issue in the response to the problems of housing affordability for new home ownership both nationally and locally. Premier Rann has joined the chorus about the need to attend to this issue (Kelton 2006a). Nevertheless, increasing land supply on its own will not solve the problem of housing affordability. Burgeoning housing prices and housing demand is fuelled by the increasingly unfettered operation of private housing markets in contemporary Australia combined with government policies encouraging people to invest and over-invest in private housing.

Through all of this, housing supply for low income households enjoys rather less political and policy attention. Jay Weatherill at least acknowledges the problem of the contemporary imbalance between demand and supply for affordable housing in Australia and the basic market failure that lays at the heart of the problem. Policies like first home owner grants and the absence of capital gains tax on housing 'pump up demand and there's no supply-side

response. You'd presume you'd see a supply-side response if the market was working according to orthodox principles, but it doesn't, and never has – and there's no housing market in the world that does' (Weatherill quoted in Jacobs 2006). Despite this insight, there is no clear sense that the impact of the new South Australian housing policy directions on the supply of low income housing will be positive. The early signs are that they will be marginal at best.

The great defender of the principles and the practice of the SA Housing Trust, Hugh Stretton has recently argued for some new ways of reviving national attention to facilitating the supply of low income housing for both private ownership and rental (Stretton 2005). Given the local knowledge of both his work and the principles upon the Trust was founded – addressing market failure in housing markets directly and systematically – one might have expected that a self-styled reformist Labor Government might have paused before further undermining a great South Australian innovation. It might need updating and modernising but the case for a stronger, direct public role in new housing investment for lower income South Australians remains as strong as ever. We will come to rue the Rann Government's lack of attention to that case. Meanwhile, we face a brave new managerialist world in South Australian housing policy in which the SASP targets for achieving more affordable housing and reducing housing stress will be more difficult to achieve.

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