

National Summit on Affordable Housing Forum Canberra 24-25 July 2006

I'd like to thank the forum for the opportunity to contribute to the debate on behalf of Australian construction workers.

CFMEU commitment to Affordable Housing

Two years ago the CFMEU concluded its address to the National Summit on Housing Affordability by stating that the government policy framework had clearly failed, and suggested that with current trends, not only would larger numbers of ordinary Australians be denied the capacity to own their own homes but that rents would increasingly move beyond their reach.

We noted the declining affordability in first home ownership, notwithstanding the first home ownership grant. We noted housing stress due to high mortgages and rents, the degradation and running down of public housing stock and the growing numbers of homeless people throughout Australian communities.

We lamented the trend where a fortunate minority grew more wealthy off the back of a speculative boom in house and land prices, utilising tax lurks, becoming more affluent while large numbers of their fellow Australians were locked out of home ownership and affordable rental housing.

We drew attention to this Union's longstanding commitment to the issue of affordable housing. Shelter is a fundamental right for all and is integral to a productive and fair nation. Moreover, we believed that the policy suggestions arising from the 2004 summit would go a significant way towards addressing this critical problem and we offered to work with government and industry to secure the outcome of reasonably priced accommodation for all Australians.

Funding source retirement savings

Our Union represents skilled, productive and well organised building workers who are available to build the stock to house the nation. Moreover, building workers, like the rest of the Australian community, have through their retirement savings in schemes like C+BUS, accumulated a significant pool of capital that in part can finance this work. Given the right financial/ tax incentives, a proportion of the massive accumulated funds from the super funds can and should be directed towards the goal of housing supply and affordability.

Lack of Government commitment to Affordable Housing

Notwithstanding the progress made by earlier forums to initiate policy debate, not a lot has changed. The Commonwealth has billions of dollars in surplus yet very little, if anything at all, has been heard from the Howard government on the issue of

affordable housing - apparently the market is supposed to sort out housing - it determines the winners and losers.

The affect of Workchoices Legislation

The background papers that have been drafted to guide discussion at this summit represent a more enlightened addition to the debate on housing. They speak to issues of supply, of definition, of tax and of funding - of national targets and goals. However, before commenting on these useful contributions towards policy development put together over the past two years, we believe the forum should take a moment to consider the impact of the current government's deregulation of the labour market which will become a critical factor to the issue of affordable housing.

The question of affordability will be directly affected by the draconian Workchoices legislation that threatens job security and wage packets generally, and so too the extreme Building Industry Improvement Act that is causing disharmony and a lack of confidence in the construction industry in particular. We should also consider similar problems resulting from associated legislation that diminishes the rights of contractors- those small subbies in the commercial and domestic construction fields, many of whom are active CFMEU members.

This legislative cocktail of changes to labour laws will affect not only wage outcomes, career and skill development, but will also

transform normal job security and impact on both the ability of workers to have and service loans or to produce a steady income record and rent repayments.

There was a time in this country when a man or a woman from a factory floor or a building site, protected by union awards and agreements, had the means secure good accommodation, but this legislation jeopardises this. In a system which actually prohibits a union, at pain of \$33,000 fine, to demand security at work, the Howard government is condemning future generations to casual, temporary work. Employment and domestic insecurity will certainly accompany these retrograde changes.

The need for clear policy outcomes

While housing supply is critical, it is nothing without a proper policy framework directed to promote national wealth and public well being, rather than private wealth and speculative gain. A sensible national wages policy is part of this mix. The question of housing cannot be left to market vagaries but needs to be regulated by agreed socially and economically sound principles. In this vein we ask how, after a decade of building boom, particularly in Sydney, and with many unit dwellings unoccupied, has there been no marked improvement in housing affordability? It is hoped that the background papers and debate at this forum will go some way towards meeting this policy vacuum.

Current problems in Housing Affordability

The background papers paint a worrying picture. We find in them very concerning figures, where more than $\frac{3}{4}$ million households (aprx. 1.5 million people), most of them private renters, pay more than 30% of their income on housing costs (Paper 3 p3).

Further, it is estimated that the supply of public housing is at least 100,000 dwellings less than if it had remained at the same proportion of total stock levels of a decade ago (Paper 3 p 6). We emphasise, as we did two years ago, the important need to increase public housing stock. As revealed by Powall and Withers, publicly provided housing makes up only 5% of accommodation (p4). We argue, as before, that the federal government, having slashed the funding to housing stock and instead directing resources to the rent assistance programme has exacerbated the problem. Without policy mechanisms to control or reduce demand based price increases, it just draws funds into a black hole. The problem of affordability is simply not being solved by these measures. Again, from Powall and Withers we see that over 35% of those receiving rent assistance still pay over 30% of their total income on rent and about one in ten pay over 50% (p 11,12). While the union certainly does not suggest taking money from the needy it argues that substantial monies should be directed into the renewal of public housing stock.

It is pleasing to see that the background papers comment on the inappropriateness of keeping the first home buyers grant on its

current terms. This government policy also seems to be failing in its goal, with reports indicating that the number of first home buyers halving after 2001, and the level of new loan approvals falling from over 30% to only 15% in 2004 (Powall and Withers p 8). On the other hand we need bear in mind the lack of means testing on the grant and examples where the well off have profited by the scheme. While it is fair and right that housing ownership becomes available to the lower paid, the Union sees no advantage in subsidising those who are not in need to acquire property, and of using tax payer's money to fuel housing prices.

We certainly hope that this summit allows participants space to discuss the fairness of current tax measures like the capital gains and negative gearing regimes, and their effect on worsening the availability of affordable accommodation. As we have argued on previous occasions, this Union regards these measures as to enticing those who only see housing as a financial product. And the debate on these tax drivers need not be an all or nothing argument - we need to be more sophisticated than that. Likewise we seek to put on the agenda the need for the government to crack down on the use of family trusts used as tax avoidance shelters.

Conclusion

There may be some in the community, perhaps even some here, who wish to adopt a simple view of the problem, and suggest that the solution is market driven - a matter of supply and

demand. Some may carry-on about the alleged fetters created by government 'red tape'. But hopefully its obvious to most that the problems of housing affordability can not be dismissed in this fashion. To address the real problems we need a forward thinking programme and a strong collective will to make the breakthroughs.

The CFMEU congratulates Professor Julian Disney in particular for his work in advancing this important public interest and public equity agenda.

This union is pleased to contribute to this forum and remains actively committed to the process of securing affordable housing for all Australians.