

Recent developments in housing policy in Australia in comparative perspective

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Key words: comparative housing policies; Australia; housing assistance, public policy

Abstract

Following election of a new national government in November 2007, Australian housing policy is undergoing major reform under the leadership of the first dedicated national Housing Minister since 1996. At the end of 2008, one of Australia's longest serving public policy settings ceased after 63 years of nearly continuous operation as the administrative and financial framework for housing assistance, replaced by a new kind of intergovernmental agreement to frame future housing policy and drive major reform of social housing. The Australian Government has also embarked on a variety of major housing initiatives that include: offering subsidies to private investors in new affordable rental housing; subsidising costs of residential development where savings are passed to home buyers; and national partnership agreements, which incorporate targets to improve housing in remote Indigenous communities and to significantly reduce homelessness. As well, investments in additional social housing and cash assistance to first home buyers have featured strongly in economic stimulus packages that are designed to offset domestic impacts of the global financial crisis. An increase of over 220 per cent in Australian government investment in forms of housing assistance over the period 2008/09 to 2011/12 indicates the magnitude of change.

This paper will examine critically Australia's reform directions and breaks with past policy in the context of the ongoing debate in the housing literature about the role of national housing policy in increasing the supply of affordable and appropriate housing, economic development, wealth creation and social welfare. By drawing on research into national housing policies by the authors and colleagues, it will also compare Australia's unfolding approach with characteristics of national housing policy directions in a selection of similarly developed countries.

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Introduction

Australia's national housing policy strategy is undergoing major changes after the election of a new social democratic government in November 2007. This paper describes the thrust and magnitude of the main changes and makes an assessment of their potential by considering the local context, ideas about modern housing policies and a comparison with features of housing policy strategies in similarly developed countries.

The paper first provides a brief review of the evolving role of national housing policy in Australia to put recent policy developments in historic perspective. This shows that retraction of national leadership and comprehensive action in this area has been a long-term trend. However, as structural problems in the Australian housing system have become manifest there has been greater public and political attention to housing issues. The body of the paper focuses on the significant re-engagement of the national government in housing, describing the major policy responses of the new government and the institutional changes which accompany them. To conclude, the paper offers tentative views about the strengths and weaknesses of the new policy directions and their governance and nominates areas that need further development.

Post war directions in housing policy in Australia

Australia is often cited as a well housed country, subject to predictable qualifications about the enduring concentration of poverty among lower income private renters and, sometimes, an acknowledgment that all population groups, most notably Indigenous households, have not benefitted from either the tenure security or the wealth creation delivered to many by the dominance of a mass home ownership regime (Milligan 2003). To help to explain how Australia's distinctive housing system arose, historic accounts show how post war housing policies supporting private housing development and extensive suburbanisation in unbounded sprawling cities interacted with strong economic development and an aspirational and influential working class, to create a unique wage earner's welfare state that was centred on mass home ownership (Berry 1999, Castles 1997, 1998). By the 1970s, Australia's level of home ownership of around 70 per cent of households rated in the top cluster of OECD countries and has remained relatively stable since (Yates 2007).

Perhaps it is not surprising then that the 1970s also seems to mark the beginning of a long, though uneven, retraction of national action on housing in Australia (see also Dodson 2007, Milligan 2003, Hayward 1996). Flushed with their historic success, the buoyancy of the housing market and in the context of rising and all pervasive neo-liberal ideologies, federal governments from the 1970s of both political persuasions began to endorse policy directions that reduced the government's direct role largely to a safety net one. This is demonstrated generally by national budget outlays for housing, which dropped from 0.8 per cent to 0.4 per cent of GDP between 1976 and 1998 (Milligan 2003, tables E.1a and E.4a).

By the early 1990s, national housing policy in Australia was assessed as being at a crossroads (Burke and Hayward 1993). Traditional financial supports for home owners and home buyers (including publicly regulated mortgage interest rates, government backed low income home ownership schemes and first home owner deposit assistance) had been abolished successively in the wake of financial deregulation after 1986 and the failure of state home lending schemes in NSW and Victoria in the early 1990s (Milligan, 2003, Dalton, 1999, 1996). In the same period, a new planning policy orthodoxy, influenced specifically by government concerns with rising infrastructure costs, produced an increasing emphasis on

urban consolidation, and signalled the end of the heyday of affordable residential development on the urban fringe.

The social housing system too was becoming financially and socially unsustainable (NHS 1992, Industry Commission 1993). As pathways to home ownership collapsed and processes such as de-institutionalisation fuelled need, access to a largely static supply of social housing declined, tenant profiles shifted markedly, and revenue for social landlords fell below viable levels. By analysing the history and current state of discourse on public housing in Australia, Atkinson and Jacobs (2008) show how long periods of under investment by governments, followed by disinvestment, has ultimately produced neighbourhoods of excluded households who are held back socially and economically. In their view, resulting social unrest and the spread of a negative image about these areas and about public housing more widely has in turn fed political loss of interest and more punitive management controls.

With the decline of social housing and home ownership assistance for lower income households, it is hardly surprising that housing-related poverty become more concentrated in the other main sector, the private rental market. By 1996, 36 per cent of all households in poverty after meeting their housing costs were private renters, up from 30 per cent a decade earlier. Over 20 per cent of all private tenants were in after housing poverty, although this indicator showed an improvement on that of a decade before (28 per cent) (Milligan 2003, table E.27), at least partly as a result of particular policy action taken at the time. The adverse economic circumstances of the late 1980s and a dominant political concern with poverty relief led the then national Labor government to favour immediate enhancements to rent assistance over expanding social housing (Prosser and Leeper 1994). As a result, Australia's direct budget outlays for rental housing became increasingly dominated by demand side assistance (AIHW, various years).

In 1991 the national government announced an extensive housing policy development project, the National Housing Strategy to lay the groundwork for a new national housing policy approach (NHS 1992). This was followed by a specific review of the cost effectiveness of public housing by the former Industry Commission, which made recommendations to strengthen the funding and institutional arrangements for public housing and other forms of housing assistance (Industry Commission 1993). However, lasting policy changes did not emanate from the recommendations of these reviews and by 1996, when a conservative government came to power, vital reforms, such as to support public housing, had not been implemented (Milligan 2003).

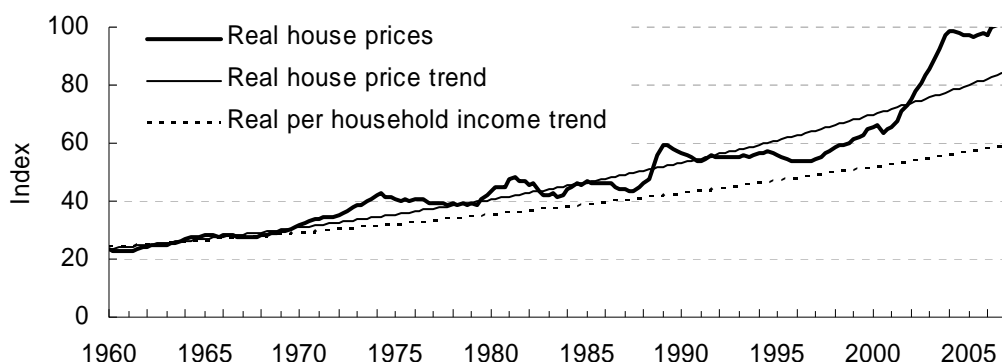
An unfinished reform agenda and the poor reputation of the outgoing government (which had presided over historically high mortgage interest rates) helped the incoming government to side step housing as a policy issue. Modest but innovative housing demonstration programs that had been introduced in the early 1990s were abolished; the housing department was reduced to a housing branch within a vast social security ministry; there was no dedicated national minister for housing and/or urban policy; national monitoring of supply and demand conditions in the housing market was abandoned; and there was a severe cut in funding for social housing programs (\$200 million in 1997/98). By 2008, the cumulative withdrawal of national investment in social housing reached over \$2 billion (in 1997/98 dollars) and an estimated 90,000 dwellings that would have been needed to maintain the same share of social housing for low income households (around 5 per cent) had not been built (Australian Government 2009). A significant drop in the availability of lower priced private rental housing exacerbated this deficit. The estimated shortfall in private rental housing that was affordable by and available to lower income renters had reached 251,000 dwellings in 2006, compared to 150,000 in 1996 (Yates and Wulff, 2005, Australian

Government 2009).³ Over the period, neither national nor state governments moved to arrest this long term decline in access to rental housing for low income households.

However, the unprecedented house price boom that accompanied lower interest rates and striking economic growth from the turn of the century arguably was of most significance to the turning political tide in housing. While current affordability problems have a long genesis (see figure 1), data show that these worsened after the turn of the century and, unlike elsewhere, have not been subject to correction yet. For example, Richards (reproduced in Burke and Hulse 2009, figure 1) shows that Australia consistently had the highest house price to income ratio among Anglophone countries over twenty years from 1987 and the latest edition of Demographia (2009) confirms this applies still.

Housing policies and housing outlays are only one part of policy related factors that may help to explain Australia's deteriorating housing affordability. Other key factors that can be argued to have contributed to this situation include: generous tax expenditures on housing for both owner occupiers and rental investors that have stimulated demand and fuelled speculative investment in housing (see below); weak urban planning policies that have done little to address social polarisation trends in the major cities; and low investment in public transport infrastructure which has contributed to rising living costs in the context of sprawling cities and large distances between work and home (Yates 2007, Productivity Commission 2004).

Figure 1: Real house prices and income trends in Australia: 1960-2006



Source: Yates and Milligan 2007, figure 1.2

The comeback of national housing policy in Australia

Recent re-activation of housing policy as a major economic and social policy tool in Australia did not arise directly from the reverberations of the global financial crisis, although the timing of the changes described in this paper might suggest otherwise.

Instead we have argued that it was triggered by a relentless rise in house prices and the absence of any effective government response. Between the last two national elections (held in 2003 and 2007), house prices and housing affordability stress (for both renters and buyers) emerged as major public issues. Growing public awareness of this issue, particularly as it may impact on future generations, became evident in the print and electronic media and was backed by a growing research evidence base (for a summary, see Yates and Milligan

³ This number includes housing affordable for lower income households but not available because it is occupied by higher income households.

2007).⁴ The political escalation of this issue was also underpinned by a concerted campaign from a cross section of housing stakeholders (including not-for-profit, union and industry interests), which formed a coalition known as the Housing Summit Group that began calling for national leadership and action on housing after 2004 (www.housingsummit.org.au). By 2007, the aspiring social democratic party had seized on the groundswell of concerns about housing affordability and taken the opportunity to differentiate itself from the incumbent conservative government on this issue. In 2007, a series of Australian Labor Party (ALP) discussion papers culminated in an ALP-convened national housing summit (held in August) and a subsequent series of housing policy commitments (see ALP 2007a, 2007b). This was the first time that concern with housing issues had received such national political prominence since the mortgage interest rate crisis of the late 1980s and the collapse of state home lending programs in the 1990s.

What are the changes?

Below we describe two sets of housing policy changes that have occurred under the administration of the current Australian government. The first set, which we label as proactive initiatives, are wide ranging housing proposals that the government outlined broadly in pre election commitments and has implemented since. The second set, which we describe as reactive and preventative measures, comprises large scale additional expenditures on housing assistance that were induced by the global financial crisis. We also refer briefly to two active areas of policy review and development, concerned with taxation and cities respectively, the outcomes of which could have a fundamental bearing on the future state of Australian housing.

To give an overall picture of the total magnitude of additional spending that has been committed to housing under the new government, Figure 2 shows budget estimates of new spending from 2007/08 to 2012/13. The large increase in spending in the middle of the period reflects mainly economic stimulus measures in housing, which will cease by the end 2011/12.

1 Proactive policies

The major housing initiatives that have been announced since the Rudd Labor government came to power in November 2007 are summarised in Table 1. More details about each of these initiatives, its stage of implementation and any supporting papers (such as green and white papers, public submissions etc) can be sourced through the website of the government agency with responsibilities for housing (<http://www.fahcsia.gov.au>).

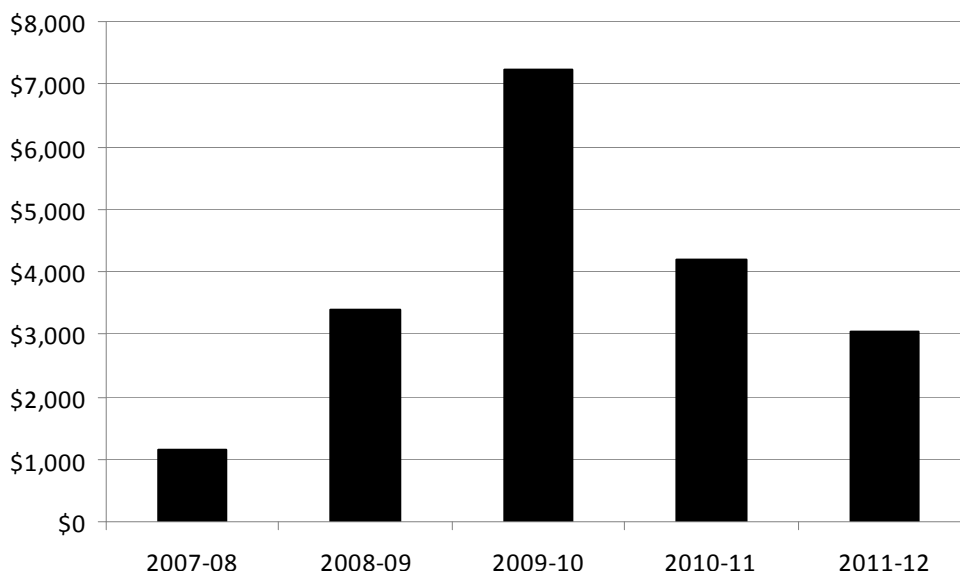
The core policy framework guiding the government's engagement with housing is the National Affordable Housing Agreement (NAHA), which came into effect on January 1st 2009 (COAG 2008b). The NAHA replaces one of Australia's longest standing administrative instruments of housing policy, the Commonwealth-State Housing Agreement (CSHA), which has operated almost continuously since 1945 and the Supported Accommodation Assistance Program (SAAP) that goes back to 1984. However, the NAHA is intended to be more than a new name for existing programs. Sitting under a new Intergovernmental Agreement on Federal Finance Relations, it forms one part of key reforms to federal financial relations with the states and territories (hereafter states) in Australia (COAG 2008a).

One of the headline objectives of the incoming national government was to reform all intergovernmental arrangements to redress long-standing volatility in federal versus state responsibility and accountability for key service areas, under a guiding principle of fostering 'cooperative working relations'. On being elected, the government acted quickly to establish

⁴ Paradoxically however, growing recognition of the housing affordability problem was also accompanied by a continuing celebration of strong house prices and housing wealth creation, both within government and in the public domain.

new financial and service models in the context of a brief period of political alignment when Labor governments held power nationally and in all states and territories across Australia.⁵ The approach now being implemented has been designed to provide a clearer specification of roles and responsibilities of each level of government and involves reduced Commonwealth prescriptions on service delivery by the states, in return for an improved focus on accountability for better outcomes and better service delivery.

Figure 2: Projected Housing Budget (\$Aus million) Australian Government



Graph includes funding under the National Affordable Housing Agreement; National Partnership Payments for social housing, remote Indigenous housing, homelessness and the social housing component of the Nation Building and Jobs Plan; and other Commonwealth housing initiatives (specifically a Place to Call Home, the National Rental Affordability Scheme, the Housing Affordability Fund, the First Home Owner Savers Account and the First Home Owner Boost and its extension). It does not include outlays for Commonwealth Rent Assistance and First Home Owners Grant, states and territories' expenditures on housing assistance and first home owners, which have not been affected by recent changes.

Source: Milligan 2009

Affordable housing is designated as one of the core national service delivery areas, along with disability services, schools, health care, and skills and workforce development. As such, housing is clearly identified as an area of national policy importance, a position that had not been formalised in Australia previously. Other features of the NAHA include it being: an ongoing agreement; signed by all levels of government (including local government for the first time); and concerned with specific targets for service delivery and the performance of state governments measured against agreed outcomes (Milligan 2009).

Additional mechanisms and processes have been established through COAG with the intention to drive more fundamental reforms across the housing system. Reform areas nominated for priority attention include integration of the homelessness service system with mainstream housing services; reducing concentrations of disadvantage on public housing estates; improving the capacity and scale of the not for profit sector in housing; promoting greater efficiency in the supply of housing through planning and land supply processes; and improving the access of Indigenous people in urban and regional areas to mainstream housing services, including home ownership (COAG 2008b).

⁵ This situation prevailed until September 2008 when the West Australian Labor government was replaced with a Coalition government. It remains the situation in all other jurisdictions at the time of writing (August 2009).

2 Reactive / preventative policies

Housing has also featured strongly in the Australian government's special measures to offset impacts of the global financial crisis (GFC) on the Australian economy. Two stimulus packages, in October 2008 and February 2009 respectively, have been adopted. The first package involved assistance to first home buyers, while the second featured large scale investment in additional social housing. Action has also been taken to support the banking sector, underpin the residential mortgage-backed securities (RMBS) market, and to work with lenders to provide mortgage relief for home owners at risk of losing their homes due to unforeseen circumstances.

First Home Owners Boost

In October 2008, as part of an initial stimulus package, the Australian government announced a boost to an existing grant scheme for first home buyers.⁶ Specifically eligible buyers of existing housing are being offered an extra \$7,000, taking their total entitlement to \$14,000 and eligible buyers of new housing receive an extra \$14,000, taking their total lump sum payment to \$21,000. The time period for this boost was set initially to June 2009, but in the May 2009 budget this was extended to 30th September 2009, with a phase down period to 31st December 2009 when the grant will return to the base amount of \$7,000. Total expenditure on this boost is estimated at nearly \$2.1 billion between 2008/09 and 2011/12.

There seems to be broad agreement among stakeholders that this strategy, along with falling interest rates, has helped to underpin house prices across Australia and buoyed construction and real estate market activities in the short term (Burke and Hulse 2009). In turn this has also helped to offset risks such as negative equity for recent home buyers and declining consumer confidence in the housing market. However, longer term risks of indebtedness and unaffordability for new market entrants remain. As well, the successful bring forward of demand may have adverse cyclical repercussions for the housing industry and existing owners and investors.

Nation Building and Jobs Plan NPP

In a second economic stimulus package, the Australian government allocated additional funding of \$6 billion for the construction of an estimated 20,000 new units of social housing over three and a half years from 2008-09 to 2011-12, and a further \$400 million over two years for repairs and maintenance to existing public housing dwellings. This initiative represents the largest investment in additional social housing since the 1980s. While the immediate goal of the initiative is to stimulate jobs in the building and construction industry, the national government is using the stimulus to provide impetus to its desired reforms for social housing (see above), including requiring states to allocate at least three quarters of the additional housing provided to well performed not-for-profit housing providers to assist build their scale and viability.

Support for the banking sector and mortgage relief

The government introduced a series of measures in late 2008 and early 2009 to address concerns arising from a combination of dramatically reduced liquidity in financial markets; falling availability of credit; and the potential effects on the housing market and lenders of rising unemployment and associated risks that more households would fall out of homeownership. In October 2008, the government put in place a three-year guarantee on all borrowing by Australian banks and other deposit-taking institutions from overseas. At the same time, they announced an \$8 billion RMBS purchase plan, whereby the government (and others) invest in mortgage-backed securities put forward by banks and fund managers.

⁶ In July 2000 the Australian government introduced a grant of \$7,000 to offset the impact of the incoming good and services tax on all first home buyers.

Packages issued have typically involved tranches of different quality securities. By March 2009, \$3.3 billion across seven issues had been invested. While these issues have found willing purchasers, the extent to which arrangements have been able to increase liquidity for smaller and non-bank lenders, who are more dependent on the securitisation market is questioned (Irvine, 2009; Riseborough, 2009). In April 2009, a Mortgage Relief Plan was launched. Initially this was negotiated with the 'Big 4' Banks (Commonwealth, Westpac, ANZ and NAB) but it has been extended subsequently to incorporate most lenders. The scheme is designed to encourage – and require – lenders to demonstrate maximum flexibility to borrowers suffering temporary hardship, enabling repayments of the interest component of payments to be suspended for up to 12 months with interest becoming capitalised into the loan.

3 Ongoing policy reviews

A review of Australia's future tax and transfer system (known as the Henry Review, after the Secretary of the Treasury Ken Henry who is leading it) was announced in May 2008 and will report by the end of 2009. The terms of the review include specific reference to appropriate incentives for access to affordable housing, and a consultation paper released in December 2008 has a chapter on the impacts of taxes and transfers on the affordability of housing and the efficient use of the housing stock (Australian Government 2008b).

The consultation paper identifies the extent of taxes and transfers that are related to housing in Australia and what is known of their effects by tenure and income level. It highlights the large amount of indirect subsidies directed to owner occupiers (that mainly arise through exemptions from capital gains taxes, non taxation of imputed rent and exemptions from land taxes), which was estimated by the Productivity Commission to be \$25 billion in 2003 (Productivity Commission 2004). Analysis of the beneficiaries of these indirect subsidies shows up serious inequities, with the greatest benefits being received by those with higher incomes or higher value homes, and in middle age cohorts (Yates 2007, figure 6). Concern about the distributional and generational impacts of tax incentives for investment in housing in Australia is one issue that has been highlighted by housing researchers consistently over a long period (see Yates 2003, 2007, Flood and Yates 1987). In recent years, the extent of increases in house prices and housing values has brought the sustainability and desirability of these arrangements into greater focus (Yates et al 2007, Yates and Milligan 2007). Arguably, this is where some of the most significant reforms to policy will be required if housing affordability is to improve in Australia in the long run.

In the past, active involvement of the national government in urban agendas in Australia has been confined to very brief periods (at the end of the Second World War; in the early 1970s and in the early 1990s), each time coinciding with a Labor administration (see Milligan 2003). Once again, steps to re-engage with a broad urban policy agenda are apparent. In order to provide leadership and co-ordination across all spheres of government on issues surrounding the infrastructure and governance of cities, the 'Major Cities Unit' was established in 2008. Its core task is to assist in policy development and prioritisation of infrastructure expenditure across governments in relation to major city issues. This work is situated within a broader agenda for driving a nationally coordinated approach to infrastructure investment, to be governed by Infrastructure Australia, also a new institution, that has been set up to develop a strategic blueprint for future infrastructure needs and to facilitate its implementation (<http://www.infrastructureaustralia.gov.au/index.aspx>). Expenditure from a Building Australia Fund established in 2009 will be guided through these mechanisms over the next decade, which the Prime Minister has designated prospectively as 'the Building Decade' (Rudd 2009b). How future housing requirements across cities and regions will be articulated within this broad economic investment program has not been made explicit yet.

Table 1: National housing policy initiatives Australia, 2007/08 – 2008/09¹

Initiative	Scope, aims and duration	Magnitude / targets	Discernible policy shifts	Possible limitations
National Affordable Housing Agreement (NAHA)	<p>Framework intergovernmental agreement set up under a new Intergovernmental Agreement on Federal Finance Relations.</p> <p>Overarching objective for all Australians to have access to affordable, safe and sustainable housing that contributes to economic participation.</p> <p>Replaces long standing specific purpose payments for social housing, homelessness and other forms of housing assistance with single recurrent payment to states for maintenance of housing services.</p> <p>Architecture of the new agreement includes provision for additional payments to states under national partnership programs (NPPs) designed for specific purposes. Four NPPs have been agreed so far (details below and elsewhere in text).</p>	\$1.16 b recurrent payment indexed	<p>Recognition of housing as a core national service delivery area</p> <p>Commonwealth recurrent funding commitment for existing programs</p> <p>No input controls (e.g. matching funding) on states</p> <p>Mechanism for governing wide array of housing interventions on a responsive and flexible basis</p> <p>All programs and parties have a role to play in overcoming Indigenous disadvantage</p>	<p>Maintains status quo for operating level of housing and homelessness services, subject to state effort. No additional capacity for new services except through efficiency savings.</p> <p>Funding level and distribution reflects historic allocations and is not needs based</p> <p>Key Commonwealth housing programs not incorporated in intergovernmental negotiations (e.g. Commonwealth Rent Assistance, First Home Owners Grant, new initiatives listed in this table)</p>
National Rental Affordability Scheme (NRAS)	<p>New tax incentive for new rental housing supply let to eligible low and moderate income households at no more than 80% of local market rent.</p> <p>Incentive is \$6,000 tax credit indexed annually for 10 years (or grant to tax exempt charitable organisations) matched by an annual \$2,000 state government contribution</p>	<p>\$ 622.6 m over 4 years, continuing for 10 years from 2008/09</p> <p>Target 50,000 additional dwellings over 4 years</p>	<p>Incentive targeted to increasing supply of affordable rental</p> <p>Potential to promote growth of not-for-profit sector</p> <p>Potential to attract institutional investment to the rental market (largely absent in Australia)</p>	<p>Relies on either private or no for profit investment partners. Private equity investors affected by GFC.</p> <p>Not for profits have very limited access to supplementary funding.</p> <p>State government matching</p>

Initiative	Scope, aims and duration	Magnitude / targets	Discernible policy shifts	Possible limitations
	(cash, indexed or in kind) for 10 years.	Commitment to additional 50,000 incentives if scheme is 'successful'.		for all available incentives not secured. Tax incentive is offered for 10 years after which no regulations apply and dwellings may be sold.
First Home Saver Accounts	Co-contributions by government into savings accounts held by prospective first homebuyers and subsequently used for purchase of a home. Government contribution of 17% of first \$5,000 (indexed, tax free) deposited annually for four years. Maximum savings limit \$75,000 (indexed). Tax concession on interest earned on funds held in account.	\$1.03 b over five years from 2007/08, continuing.	Encouraging predicated savings by prospective first home buyers	No income or asset eligibility limits. Contributions must be made in four financial years. This minimum savings period limits opportunity for purchasers to respond to market conditions.
National Partnership Payment (NPP) Homelessness	This specific payment focuses on three key strategies to reduce homelessness: prevention and early intervention to stop people becoming homeless; breaking the cycle of homelessness; and improving and expanding the service response to homelessness.	\$400 m over 4 years from 2009/10 to be matched by states / territories. Halve overall homelessness (104,676 people) by 2020 and house all rough sleepers Detailed interim targets apply in 2013	Priority at prime ministerial level. Shift to preventative measures, following recent practice elsewhere. Key component of government's social inclusion agenda. Linking housing and homelessness services.	Need for a wider range of housing options, to avoid further residualising social housing system.

Initiative	Scope, aims and duration	Magnitude / targets	Discernible policy shifts	Possible limitations
NPP Remote Indigenous Housing	Improve the living standards of Indigenous people in defined remote and very remote areas.	\$1.94 b capital funding over 10 years for new housing and backlog maintenance.	Commonwealth commitment to overcome Indigenous disadvantage in specific areas, where mainstream services currently do not operate. Explicit recognition of contribution of housing to closing the gap between Indigenous and non Indigenous households in health, education and employment. Ensuring management of Indigenous housing is consistent with 'public housing standards'.	Commonwealth intention to withdraw from this area after 10 years. Separate approach to addressing significant Indigenous needs in urban and regional areas through mainstream programs but with no new funding. Top down and prescriptive elements of approach (eg hand back control of land in return for additional services) have raised concerns about effective Indigenous community participation and preservation of Indigenous cultural values.
NPP Social Housing	Social housing growth program linked to homelessness reduction targets.	\$400 m capital funding over two years.	Improve capacity for homeless clients to exit temporary accommodation. Direct attempt to reduce recurring homelessness arising through lack of affordable housing.	Small scale, time limited program with no provision for ongoing growth in social housing.

Initiative	Scope, aims and duration	Magnitude / targets	Discernible policy shifts	Possible limitations
Housing Affordability Fund (HAF)	<p>Submission based funding targeted to state and local governments to reduce up front costs of providing housing that are related either to holding costs incurred by developers as a result of long planning and approval waiting times or infrastructure costs, such as water, sewerage, transport, and open space.</p> <p>Available for Greenfield or infill sites in high demand areas.</p> <p>Guidelines indicate contribution should be limited to \$10,000 per dwelling.</p> <p>Includes a separate funding process to progress the implementation of electronic development assessment (eDA) processes and related IT infrastructure proposals.</p>	<p>\$512 m over four years from 2007/08</p> <p>Price saving to house buyers expected to exceed subsidy provided.</p>	<p>New Commonwealth incentive for state and local governments to improve efficiency of residential development process and overcome land supply bottlenecks.</p>	<p>Pass through mechanism to achieve improved affordability.</p> <p>Preservation of affordability</p> <p>Will it induce systemic or only local (project level) change in efficiency of residential development process?</p>
A Place to Call Home	<p>Immediate placement of homeless people in permanent housing with support for 12 months.</p>	<p>\$150 m for 600 dwellings (+ additional state contributions)</p>	<p>Linking response to homelessness to supply side action.</p>	
Surplus Commonwealth land for housing	<p>Release of surplus Commonwealth land to increase supply of housing. Provision for concessional pricing where specific outcomes such as lower prices and desired community benefits can be secured.</p>		<p>In principle support for directing surplus government land to housing at an affordable price, rather than market price.</p>	

¹ All monetary values are in Australian dollars

For details of all initiatives see <http://www.fahcsia.gov.au/> and <http://www.coag.gov.au/>

Towards an initial assessment

There is no agreed or consistently utilised means of assessing the quality of housing policies as they are designed and developed. Necessarily, most assessments of housing policies are results based and therefore need to take a long term view (for example, Stephens et al 2005, Katz and Turner 2003). But it is too early to apply such an approach to new directions in Australia. All we can offer at this early stage is a tentative assessment of some apparent strengths and weaknesses in Australia's new directions. In order to make our assessment, we draw on recent ideas about housing policies that may be capable of meeting 21st century shared challenges, such as declining affordability; housing supply shortages; social exclusion and segregation related to housing location, tenure and quality; and the housing needs of groups excluded by race, ethnicity, economic disadvantage, disability, health, frailty or other special needs (Lawson and Milligan 2007).

Taking a normative approach, Maclennan (2005) argues that modern housing policies need to exhibit a range of characteristics that include: taking a system wide approach; having multi level dimensions with different government and non government actors operating under joined-up governance; giving a stronger focus to needs and client outcomes (comprising both shelter and non-shelter impacts); recognising the need for more supply-side action in many markets; and moving to address not just short term needs but longer term equity considerations, that arise at least in part from how housing systems have distributed resources in the past. An empirical body of comparative research in which we have been involved has also helped to distinguish clusters of policy action across the western world that have been used to varying effect to address common national challenges. This research showed how recent national policy responses have been centred around: enabling home ownership by new entrants and lower income households; a more integrative policy approach to the use of both private and social rental housing to achieve desired social policy goals; attending to the sustainability of both housing and neighbourhoods; promoting the supply of more forms of affordable housing, using a mix of planning and financial incentives and regulatory tools; and having more multifaceted and diversified policy and institutional models that can operate at local, regional and national scales, as appropriate (Milligan et al 2009, Gurrán et al 2008, 2009, Milligan and Lawson 2008, Pinnegar et al 2008, Lawson and Milligan 2007).

We now briefly consider the scope and attributes of Australia's new housing commitments in the light of these ideas and themes. Strongly positive aspects of new directions in Australia include the broad aims, scope and scale of the initiatives announced so far. There is an explicit narrative linking housing policies with broader economic development and social inclusion goals, although less has been forthcoming so far on housing policy and environmental adaptation. Of concern also is that strong understanding of what may be the longer term implications of current housing conditions and trends for the economy and society is not widely apparent.

In terms of housing assistance measures, there have been additional resources directed to all major tenures, but with a notable shift towards readdressing a historic imbalance in housing policies that have favoured assistance to home buyers over renters and higher income home owners over lower income buyers and renters. The choice of policy levers also recognises underlying supply side problems both in the general market and in the level of low cost housing (see Australian Government 2009). Thus, for example, all additional expenditure for social and private rental housing so far is directed to additional supply and the Commonwealth has elevated planning policy reform to a national level, for example, by providing specific incentives for the states to improve land and housing supply and to address efficiency bottlenecks in the residential development process (see table 1).

Provision of safe, secure and affordable housing has been positioned rightly as a core strategy for 'closing the gap' between Indigenous and non-Indigenous households in health,

education and employment. However, the Commonwealth so far has been much more focussed on how this will be achieved in remote areas, where earmarked resources have been directed (see table 1) than in urban and regional areas, where the majority of Indigenous households live. A new COAG endorsed National Urban and Regional Service Delivery Strategy for Indigenous Australians announced in July 2009 may give impetus to new directions in urban and regional areas. Presently, however additional resources that are being directed to improving outcomes for Indigenous households in these locations, along with the homeless, do not extend beyond 2011/2012.

The strong attention given to Indigenous housing and to homelessness cannot be contested from a needs perspective. Importantly also, the government has moved some way from a narrow focus on poverty relief, by opting for a broader eligibility regime (up to \$82,855 in 2008/09 for couples or sole parents with three children) for housing supplied under the new NRAS. This not only recognises the needs of a wider range of low wage households for well located affordable rental housing but by offering sub market rents for 10 years may assist wage earners to save for home ownership in the longer term. More broadly however, the government has not yet developed a needs-based approach to the overall allocation of its housing resources and has not reformed existing programs that are not well targeted, such as the first home owners grant and, arguably, rent assistance. The National Housing Supply Council (see below) has a mandate and potential to improve needs based planning of housing programs but will require more time and better information. Strategically, also there will be a need to promote and guide the development of regional and local housing plans, if more appropriate responses to Australia's highly diverse housing markets are to develop.

The large scale program to encourage institutional investors into rental housing (NRAS) represents a well overdue attempt by Australia to emulate the widespread success of international governments that have used a mix of public and private financing to supply more affordable housing. In the Australian context, this move is especially important to address a structural weakness in the large rental market (23% of all households (ABS, 2006)), which is dominated by small and accidental landlords (Berry 2000, Seelig et al 2009). While the timing of this initiative has coincided with the collapse of the institutional investment market, it holds longer term promise, if potential investors gain confidence that the government will continue to offer a reliable investment opportunity at volume. From a housing policy perspective, however, the scheme has a strong down side, as it does not protect affordability beyond the 10-year duration of the tax credit. Similar investor driven approaches internationally in the past (in Germany and the US, for example) have proved short sighted and costly to government. Moreover, there are plenty of examples now where governments have struck a better balance between objectives to leverage private finance and to ensure appropriate social policy outcomes at the lowest cost (see Milligan et al 2009 for case studies in Austria, France and Switzerland and Gilmour and Milligan 2008 on the US). In our view the government must address this problem sooner than latter to avoid damaging the reputation of the scheme amongst politicians, treasuries, investors, affordable housing managers and ultimately tenants, whose affordable homes may be put at risk as credits start expiring at an increasing rate, commencing in 2018.

Consistent also with widespread international trends, the government has made an explicit commitment to diversifying delivery arrangements for affordable housing, particularly by stimulating growth of an entrepreneurial not-for-profit housing sector in Australia. In the words of the Housing Minister, 'the centrepiece of the government's reform agenda is to facilitate the growth of a number of sophisticated not-for-profit housing organisations that will operate alongside existing state-run housing authorities' (Plibersek 2009). Several specific measures that will support the growth and development of not-for-profits have been adopted, including nominating them as preferred providers of the additional social housing that is being built under the economic stimulus package and as preferred managers of NRAS-funded rental housing. Recent research, however, suggests that to optimise the potential

contribution of this sector to the future supply of social and affordable housing, more action will be required, specifically a long term dedicated public subsidy stream and additional mechanisms to raise and channel private investment to this sector (see Milligan et al 2009, Lawson et al 2009).

Set against these generally positive features of the new directions, there are also a number of apparent weaknesses, viewed either from a local perspective or from international evidence about housing policy attributes.

First, the government's response to the global financial crisis has led to a stronger focus on first home buyers than might otherwise have occurred. The measures taken appear to be working in terms of stimulating market activity – perhaps too well, particularly at entry level – and have encouraged the return of first time purchasers to a degree (in terms of proportion of all borrowers) not seen since the early 1990s (ABS 2009a, 2009b; Vedelago 2009). While this has played a politically and economically vital role in protecting Australian cities from a collapse in house prices, it leaves the question about how to redress the structural affordability problem for another day (Yates and Milligan 2007). Thus, there is a strong possibility that Australia will emerge from the current downturn with house prices higher than at its start. Perhaps time will tell whether this is a good outcome or a missed opportunity to manage the market downwards.

Second, improvements to social housing in Australia have to work with one of the smallest and most highly residualised sectors among advanced countries. Significant parts of this inadequate stock of housing have been poorly maintained and/or are located in large undifferentiated housing estates, where incremental approaches to restructuring and renewal to date have proved expensive and not very successful (Milligan and Randolph 2009). Estate unrest and increasing exercise of management controls have been among factors contributing to declining satisfaction levels among public tenants (AIHW, various years). While a long list of reforms directed at this sector are now proposed, these do not address the core issue, which is the absence of a long term investment plan sufficient to enable social housing to grow and to be reconfigured to better match current and projected needs. The boost of 20,000 dwellings provided through the stimulus package is a strong start but much more investment will be required over the next decade, if residualisation and stigmatisation are to be overcome and social housing is to be positioned to contribute positively to the goals of the NAHA.

A third concern about the effectiveness of Australia's housing policy centres on the long standing rent assistance program, Commonwealth Rent Assistance (CRA), which began as a small income supplement paid to pensioners who were renters in the 1950s but has been gradually expanded to become the largest single recurrent component of the government's housing outlays - \$2.3 billion was paid to 940,000 social security recipients in 2007/2008 (Australian Government 2008b). The design and impacts of this program cannot be considered in detail here but a critique from a housing policy perspective would focus on: its limited objectives centred on poverty relief; adequacy of and geographic inequities in the level of rent relief offered (among capital cities assistance varies from 24 per cent of median rent in Adelaide to 13 per cent in Darwin); the adverse impact of capping the value of rent assistance on recipients who experience rent increases; targeting related to income not housing needs; differential subsidy levels for lower income public and private renters; and the lack of impact on other desirable housing outcomes, such as housing quality, security of tenure and overcoming discriminatory practices that affect many potential renters, especially Indigenous households and those with special needs. So far the new government has been largely silent on whether and how this major program will be reformed and how it is connected to its overall national housing strategy, although questions about the efficacy of the program are raised in the consultation paper for the tax and transfer review discussed earlier (Australian Government 2008b).

Fourth, the policy landscape relating to support for lower income home ownership remains low profile and fragmented, with most opportunities being dependent on individual state government commitments and capacity. In the less populous and lower cost jurisdictions where government-backed agencies survived the political and financial fallout of the failure of low-start loans' programs in the early 1990s, state institutions (such as HomeStart Finance in South Australia) have developed into sustainable, profitable organisations that have assisted thousands of lower income Australians to purchase their own homes. In recent years, such bodies have also acted as sites of innovation, for example by introducing shared equity initiatives and helping contribute to wider affordable housing strategies in their respective states (Pinnegar et al 2009, Milligan et al 2009). Where such organisations failed – as was the case in NSW and Victoria, Australia's two most populous and high cost states – these provisions do not exist. At the federal level, the focus has remained on largely untargeted demand side mechanisms, the First Home Owners Grant and the regressive (although capped) First Home Savers Account, and the First Home Owners Boost (a short term stimulus measure). The NAHA's renewed commitment to long-standing interest in home purchase assistance measures provides an opportunity for Canberra to take the initiative to promote a nationally equitable, but locally responsive, approach to lower income home ownership (Pinnegar et al 2009). However, at present no firm announcements or indications of a new direction have been given.

Fifth, strategic integration of housing, planning and infrastructure policies necessary to address issues of equity and inclusion is underdeveloped. 'Social Inclusion' and 'Major Cities' Units have been established. However, understanding of the requirements of a comprehensive and integrated approach to urban restructuring and renewal has not been demonstrated, and it is not apparent where the leadership, co-ordinating mechanisms, funds or capacity to implement joined-up, larger scale renewal will come from at this time.

Finally, in terms of equity and affordability, the stimulus provided to speculative investment in housing through the tax system remains as the elephant in the room, as discussed above.

Institutional arrangements and implementation issues

The review of policy changes in this paper reveals just how extensive and rapid turnaround in housing policy has been in Australia since November 2007. In the context of the long time retraction of national government's role and the history of Australia's federated system of government, the breadth and scale of activity raises questions about implementation risks for the national government, especially the institutional capacity of housing agencies and the ongoing obligations of the states. In this section, we use the following questions, which were posed in a previous analysis of international housing systems, to guide an initial assessment of the institutional changes that have been put in place and to identify areas that may warrant further attention:

1. What is the strength of national government interest / leadership?
2. Are housing policies integrated with broader government concerns?
3. Are there constructive intergovernmental relations?
4. How are state and market roles integrated?
5. Is there appropriate institutional capacity & networks? (Lawson and Milligan 2007)

There is now a dedicated Minister for Housing in the Australian Government for the first time since 1996, although the position is not in cabinet. Nevertheless, the strong and active leadership of the current Minister and her willingness to acknowledge and tackle complex housing issues has been widely apparent in parliamentary debates, in all forms of media and in community and professional forums across Australia – see, for example, a landmark speech given to an august establishment group, the Sydney Institute in March 2009

(Plibersek, 2009). Administration of housing remains within the Department of Families and Housing, Community Services and Indigenous Affairs (previously Department of Families, Community Services and Indigenous Affairs), but there has been a significant boost in staff working on housing. Despite rhetoric about clearer roles and responsibilities and integrated policies, so far several major new initiatives (for example, NRAS and HAF) are being administered from the national capital, Canberra, on a programmatic basis rather than operating within a common strategic framework at state and local levels. This means that the Commonwealth and states are both directly administering housing programs, as well as having overlapping monitoring and regulatory processes, although a nationally consistent regulatory framework for housing providers has been foreshadowed (Plibersek 2009).

Under the new Minister, a shift to a more open style of government has also been apparent. Several independent reviews have informed the policy development process so far and regular consultation with the research community and a wide range of other stakeholders has been occurring. In mid 2009, increased funding for research into both housing and homelessness was announced. However, there is no funding earmarked for independent program evaluation processes, which have been weak historically in this field (Milligan et al 2007).

To date, no overarching strategic advisory body has been set up for housing. However, two mechanisms designed to harness specialised expertise to support the government in key areas have been established. The first is the National Housing Supply Council (NHSC) (announced May 2008) which is an unconstituted council of individual experts appointed by the government to monitor housing demand, supply and affordability. The Council activities are based around steering analysis of and forecasts about land supply and construction activity, and providing policy advice on what is needed to meet housing demand and improve affordability over a 20-year period. The Council is responsible for producing an annual 'state of supply' report, the first of which was released this year (Australian Government 2009). The potential benefits of the Council include the reinstatement of national housing market monitoring using consistent standards after an absence of 12 years⁷; national leadership on improving housing market information, with state government cooperation; and reengagement of Commonwealth Treasury in analysing conditions in the housing market.

A second mechanism is the Prime Minister's Council on Homelessness, which was announced in August 2009. This is a council of independent members appointed by the government with expertise and experience in housing and homelessness issues. It is charged specifically with advising on the implementation of the Government's Homelessness White Paper, *The Road Home* (Australian Government 2008a) and with monitoring progress against the goal of halving homelessness numbers by 2020.

There are a number of other areas where specialised institutional arrangements may be warranted to provide leadership on the government's extensive reform agenda. Our research suggests priority options could include having an institution that is specialised in raising and distributing private finance for affordable housing; using an industry wide body to steer growth and development of the fast growing not-for-profit sector; and partnering with the Indigenous leadership to determine strategic directions for Indigenous housing (see Milligan et al 2009 for more on the first two options).

As discussed above, new arrangements under the Council of Australian Governments (COAG) have been designed to foster greater coordination and cooperation between spheres and agencies of government in Australia. In relation to housing, the key coordinating mechanism remains the Housing Ministers Council, which is supported by a

⁷ The functions of the NHSC are broadly similar to those of the National Indicative Planning Council for Housing, which operated from the mid 1970s to 1996.

senior officials group, the Housing Ministers Advisory Council. These bodies are long standing but neither report on their activities publicly in any detail.

The COAG Reform Council, established in 2007, is charged with monitoring the government's broad reform agenda. The Council is independent of individual governments (reporting through COAG). Its functions include strengthening accountability for the achievement of results through 'independent and evidenced-based monitoring and assessment and reporting of the performance of all governments' across each of the national service delivery areas' (COAG Reform Council 2009). The Council will determine the key outcome measures (itself a complex task) and the new performance management framework to apply to housing. In the medium term, as political priorities vary and substantive changes in the housing system occur, the work of the Council will be a critical test of the Commonwealth's influence and the responsiveness of the states, under the cooperative working relations approach. There are some major risks here and it remains unclear what powers the Commonwealth will bring to bear if states do not perform or if they disengage over time. On the other hand, there is no guarantee that a future Commonwealth government will not abandon this field again, leaving the states to manage alone.

The history of Australia's federated governance in this field suggests these are serious risks. Following from waning leadership on housing at the national level in the recent past, states have increasingly reduced the scope of their housing policies to narrow welfare concerns and most have not performed well in other housing related areas for which they are responsible, such as engaging planning policies for affordable housing and land supply and infrastructure planning to support residential development (see Milligan et al 2009); steering large scale and comprehensive urban renewal; and strengthening the rights and options of the growing numbers of low income people relying on rental housing as a long term tenure. In another regressive step, most states have switched their land development agencies from being key instruments of land and housing policy concerned with market efficiency and affordability to being corporatised developers raising dividends from the sale of land and land / house packages for state treasuries. For their part, state treasuries generally hold deeply embedded views that housing problems broadly result from low household incomes rather than structural problems in the housing market and, hence, they continue to favour demand side responses over a balance of demand and side supply strategies (see Burke and Hulse 2009, Dodson 2007).

Finally, we turn to local government, which has always been a weak link in housing policy in Australia. This sphere of government has been brought into the NAHA nominally, but there appears to be no vision or plan for how the numerous, fragmented and diverse local governments across Australia can become engaged in local housing policy development and resource allocation. Such engagement is unlikely to occur without specific resourcing because capacity, relevant skills and experience in housing at this level of government are extremely limited. This leads to a more general point that greater investment in tertiary and vocational training in housing will be required to address capacity needs not only in government but across the entire housing system.

Conclusions

In this paper we have argued that long term reliance placed on a market-driven, home ownership dominated policy model has eventually led to a social democratic government in Australia being forced to take a stronger interest in housing issues, especially in the face of severely declining housing affordability. Subsequently, the global financial crisis has dramatically reinforced the centrality of housing to both economic and social stability - a general point acknowledged by the Australian Prime Minister in a recent essay that rejects the neo liberal orthodoxy of the past 30 years and supports a return to mixed economies, where governments take a strong role helping to fund and regulate the provision of public goods (Rudd 2009a).

While Rudd does not nominate housing as a public good explicitly (a wobbly pillar still?), the position taken by the new Australian government on housing policy has been expansive and multi-faceted. Broadly, the new policy directions have been in line with positive housing policy directions that have had been pursued in a variety of developed countries in recent years, especially concerned with tackling homelessness, improving rental supply and recognising the significance of links between the performance of housing systems, and broad economic and social outcomes. However, less progress has been made towards establishing a nationally consistent approach to providing support for home ownership among lower income households. Development of a strategic, long-term framework for integrating environmental sustainability and climate change considerations into the housing agenda is also lagging leading efforts internationally.

Strong national leadership and increased funding together offer great impetus to driving change and transforming embedded policies and programs, but it is too early to assess real outcomes. In addition to the ongoing risk that extraordinary economic times derail longer term goals, there are many local risks to be mitigated. These include the political risk that electoral cycles (3 years nationally) are too short to secure lasting reform; the elusiveness of effective public governance in a federated system; and more pragmatic risks, such as short timelines that seem destined to upset good intentions and questions about whether key agencies that will be responsible for delivering new approaches have the capacity to do so. The task of implementing the planned reforms will require vigorous and sustained effort not just from the national government but also from state and local governments, the not-for-profit housing sector and the housing construction and finance industries working in constructive partnerships and alliances. After a long period of inaction, capacity building across the system will be vital to fulfil and sustain good intentions.

A long-term vision and strategic plan for achieving a more equitable and sustainable Australian housing system has not been set out yet. On current evidence, while the property market and the housing finance system may ride out the global financial crisis and economic downturn better than that in many other countries⁸, Australia still faces having a small, stigmatised and poorly configured social housing sector; unaffordable house prices (over 6 times average wages currently) that continue to be driven up by high population growth rates, tax-fuelled speculative demand and underlying housing supply shortages; intergenerational decline in access to home ownership (influenced by both choice and constraint factors among younger households); profound Indigenous disadvantage in remote, regional and urban areas; and a volatile and weakly regulated private rental market. The national government's leading role in housing cannot be short lived, short sighted or narrowly conceived, if these problems are to be addressed and Australia's housing system is to meet future requirements.

⁸ In a recent exploratory essay, Burke and Hulse (2009) propose several contextual and institutional factors that may explain the apparent market stability of Australia's housing system in the context of global financial crisis.

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