

Inappropriate housing is both an underlying cause and a consequence of poverty:

- Housing is generally the largest single expense in a poor family's budget and it is not discretionary. This means that poor families can't afford housing that is appropriate to their needs. In other words, inappropriate housing is a consequence of poverty.
- Inappropriate housing is also cause of poverty, because housing is a key factor in people's ability to participate in society. For instance, inappropriately located housing often means limited access to employment and education opportunities. It also often means lack of access to public transport, forcing a family to operate multiple cars, which further eats into the family budget.

Alternatively, housing may be inappropriate with regard to its size. The resulting overcrowding has been shown to produce poor health and education outcomes and an increased incidence of family violence. Over the long term, people living in overcrowded situations have poor education and employment outcomes.

Finally, housing may be in poor physical condition. Again, this has been shown to have a potentially severe impact on people's health and, in the longer term, their education and employment prospects.

It is therefore of grave concern that a housing crisis is emerging in Australia, with a lack of affordability as its main feature. To quote some statistics:

- In 1986 there were 90,000 households in housing stress nationwide; by 2001 this had grown to 250,000.
- The amount of affordable housing is falling, with the most detailed research to date revealing a shortage of 150,000 units.
- While housing is less unaffordable in Perth than in some other capital cities, the situation is nevertheless deteriorating. Research in progress by Shelter WA indicates that in March 2002 there were 56 Perth suburbs that were affordable to families at the top of the second income quintile (ie. earning around \$45,000 per year). Twelve months later half of these suburbs were no longer affordable to the same families.
- In 1996, there were 105,000 homeless people in Australia.
- Housing problems are particularly severe in regional areas due to limited housing markets. This is of concern in WA, as the lack of appropriate housing fuels the economic boom bust cycle in many regional areas.
- The group worst affected by the current housing crisis are Indigenous people, who have low levels of home ownership and high rates of homelessness. For instance, a recent report by Shelter WA on youth housing needs in the Shire of Broome found overcrowding in one third of families. Shelter WA Homelessness Project has found that roughly half of the homeless people in the State are Aboriginal, one third are children below the age of 14 and a further third are young people under 24.

This is not to say that the various levels of Government have no programs to stimulate the housing sector. For instance, the Commonwealth Government alone spends over \$22 billion per year on various tax concessions and grant; this is a conservative estimate. Some notable schemes are:

- Negative gearing and Capital Gains Tax exemptions on primary residences amount to at least \$20 billion per year
- Commonwealth Rent Assistance is currently worth over \$1.6 billion per year.
- Around \$800 million per year is spent on First Home Owners Grants
- The Commonwealth State Housing Agreement covers housing funding of around \$1 billion per year.

However, these various payments are not integrated with each other, some have been shown to work against each other and others are ineffective at achieving their objectives. For instance, negative gearing encourages investment in higher value residences, thus reducing funds available for investment in rental housing at the lower end of the market. First Home Owners Grants are not targeted for income. Over one third of Commonwealth Rent Assistance recipients still experience housing stress.

In addition, there are a number of housing related taxes and charges managed by the various State and Territory Governments, most notably stamp duties and land taxes. These taxes and charges are not targeted to deliver affordability, or integrated with the Commonwealth programs mentioned earlier.

There are a number of ways in which the emerging housing crisis can be resolved. However, all of them come with a relatively high price tag. For instance, if this is to be achieved solely by expanding social housing, modelling by Shelter WA indicates that:

- An outlay of \$1.5 - \$3 billion per year is required to keep social housing at its current proportion of total housing stock.
- \$4.7 billion per year for twenty years would be required to increase social housing stock by 400,000 units, and substantially reduce current and future housing needs.

If the same is to be achieved by changing the policy parameters of the Commonwealth Rent Assistance program, Shelter WA estimates that \$10 billion per year would be a minimum outlay. This amount would grow with private sector rents, and the number of lower income families in the private rental sector.

Shelter WA fully acknowledges that the amount of money required to resolve the emerging housing crisis is large. However, Shelter WA believes that it would be possible to redirect some of the existing Commonwealth and State housing related tax concessions and grants. This would best be achieved through a National Housing Strategy, which should have the following features:

- Commonwealth Minister for Housing,
- integrate all housing related subsidies, taxes and exemptions,
- ensure they are targeted towards creating affordable housing, and
- stimulate innovative measures to create affordable housing.