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Submission into the Inquiry into the proposed Appropriation (Loose-fill Asbestos Insulation Eradication) Bill 2014–15 - ACT Legislative Assembly

Documents included in review:
Appropriation (Loose-fill Asbestos Insulation Eradication) Bill 2014-2015 (the Appropriation Bill)
Appropriation (Loose-fill Asbestos Insulation Eradication) Bill 2014-2015 Explanatory Statement
The ACT Government's Preferred Way Forward on Loose Fill Asbestos: Overview
The ACT Government's Preferred Way Forward on Loose Fill Asbestos: Supporting Detail

Summary of issues and concerns:

1. The Appropriation Bill (noting the explanatory notes) has minimal detail; so I will mostly comment on the other documentation that has been released by the ACT Government.
2. The Loose-fill Asbestos Insulation Eradication scheme is a costly exercise for the ACT Government to undertake, however there may be ways of reducing the costs or at least spreading the impact over more years.
3. The current scheme structure is for all the Mr Fluffy Homes to be purchased as soon as possible. This is attractive for some Mr Fluffy Owners that want to relocate quickly due to a number of reasons (houses that are a rental property, homes that have fibres in living areas that restricts the usability of the house, those that wanted to move anyway, etc).
4. This is an expensive option due to the upfront cost to the ACT Government and the selling of cleared blocks over a five-year period.
5. A financial benefit of this approach is that procurement of the demolition works can be bundled on a suburb-by-suburb basis, enabling efficiencies for the procurement. It is likely the cleared blocks will then be released to the market at the same time. Drip-feeding the blocks over a longer period is likely to extract higher prices than releasing the blocks in the suburb at the same time.
6. The procured Mr Fluffy homes are to be secured and 'maintained' by the ACT Government for up to five years. The longer a property is vacated and left vacant will determine the cost of security and maintenance. Other costs such as fence replacement are likely to arise over the period. The homes may be targets for squatters, parties and/or vandalism.
7. Some costs could be smoothed over the years if the buyback was undertaken over a longer period. This would enable those homeowners that wanted to stay in their homes to do so. When the homeowner relocates, the ACT Government could then procure the home.
8. Costs for relocation, especially for those that bought their homes recently, is insufficient. Recent Mr Fluffy owners may have purchased their homes with lender's mortgage insurance. Overtime, as property values increase (if they do!), the homeowner's equity increases. In recent years property values have been stable, meaning that recent homeowners that used lender's mortgage insurance, will be more out of pocket and it will be more costly for them to relocate.
9. All valuations are to be based on comparable houses as at 28 October 2014. This encourages Mr Fluffy owners to relocate quickly, however the Canberra Times reports that this will cause a spike in the price of properties in early 2015. This means that properties will be procured in one market (28 October 2014) and replacement homes will be in a higher priced market. This places the homeowners at further financial disadvantage.
10. It is unclear as to whether stamp duty is required to be paid by the homeowner and then reimbursed, or if the homeowner can obtain a waiver for stamp duty. I have emailed the taskforce this question and they have not responded. The impact of paying stamp duty upfront

means homeowners may have to pay lender's mortgage insurance or borrow additional funds. Surely the ACT Government can coordinate to ensure that stamp duty can be waived upfront.

11. For those Mr Fluffy owners that want to rebuild, if possible, enable them to live in their homes until the demolition is scheduled, this will mean they can plan for the future and relocate for a short period as the demolition and rebuild occurs.
12. To further reduce the pressure on the ACT Government budget, allow Mr Fluffy owners to demolish their own homes (through use of appropriately licensed builders, etc) and allow them to rebuild. Enable them to split the block at reduced cost to enable them to rebuild a home on the split block. This creates activity that employs people, minimises the costs to the ACT Government (no interest on loan, no land holding costs).

Submitted by Mether (a Mr Fluffy Home Owner)