



LEGISLATIVE ASSEMBLY
FOR THE AUSTRALIAN CAPITAL TERRITORY

SELECT COMMITTEE ON COST OF LIVING PRESSURES IN THE ACT
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Ms Nicole Lawder MLA

Submission Cover Sheet

Inquiry into Cost of Living Pressures in the ACT

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Details of submitter

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Submission made in my capacity as a private citizen

I do not represent any group or organisation

Text of submission

Summary

The single biggest driver of cost of living pressure in the ACT is the cost of housing.

Many people who want to buy into the housing market are unable to because of the price of buying, and consequently are forced to rent.

Many people who want to rent are unable to find suitable rental accommodation, because of rental costs.

New entrants into the housing market cannot realistically match the buying power of wealthier Canberrans who already own multiple properties.

The flow-on effects of this including homelessness; unsafe or insecure housing; the inability for households to improve their financial position over time; cutting corners on other important spending such as healthcare, nutrition, and education; and impacts on mental health.

The single message I would urge upon government is this:

We cannot make housing more affordable while protecting the investment value of existing homeowners.

Making housing more affordable inherently means decreasing the investment value of some or all existing housing owners.

This is not creating new “financial pain”. The pain already exists, and it is being felt by those who do not already own housing, and particularly by those struggling to even afford basic suitable rental.

If such pain is to exist, it is a basic principle of equitable society that it should be borne by those most able to bear it, and in this case that is existing property owners, and particularly the owners of multiple residential properties.

This goes hand in hand with a further truth:

The social licence to extract profit from investment is based upon the assumption of risk. The full risk of investment in housing should be borne by owners, not tenants.

Having a productive conversation about housing affordability requires tackling this reality head-on, and being forthright that existing owners will have to make sacrifices in the interests of a just and fair society for all Canberrans.

General principles

In saying that owners should primarily bear the costs of tackling housing affordability, it does not follow that owners should bear these costs *equally*.

Clearly owner-occupiers of a single house who are struggling with mortgage payments in a difficult economic environment are a different demographic to those who have deliberately invested in multiple negative-gear properties to make income on residential rental.

The costs of addressing housing affordability should be distributed proportionately to the capacity to bear those costs.

Specific solutions

I accept that the policy options available to the Territory in addressing housing affordability are to some extent constrained by Constitutional issues, cross-border issues, and federal legislation.

Putting aside the specifics of those limitations, the general lines of policy I would urge the government to explore are these:

- 1) Banning, limiting, or disincentivising the ownership of more than two residential properties by a single owner.
- 2) Exploring various mechanisms of rent control. Scholarly study of rent control regimes has repeatedly shown them to be effective at reducing wealth inequality

and increasing the disposable income of low-income households. (See note 1 below).

- 3) Removing the ability for landlords to seek rent increases above 110% of CPI under the Residential Tenancies Act. If landlords can't make a profit on a residential property while following CPI, they should be encouraged to sell the property rather than seek exorbitant rents.
- 4) A significant expansion of public housing. I believe all players in the low-income market would agree that more public housing is needed, and that wait list times remain a source of constant pain. But this cannot be the *complete* solution to the problem.
- 5) Meaningful compulsory training for owners who wish to rent a property, at the owners' cost, covering their rights and responsibilities at law as a landlord. This should, in part, help to send the message that earning money off the provision of a basic human need carries heavy responsibilities and shouldn't be seen as a form of passive income.
- 6) Heavy disincentives for leaving residential properties vacant or untenanted.
- 7) Explicitly banning the practice of owners and rental agencies requiring rent be paid through specific phone apps and/or via automatic deductions. (There is technically no power for them to require this under law, but many major agencies still try, relying on tenants not knowing their rights in order to ask for it.)

Conclusion

I look forward to a public debate about housing affordability that begins with the acknowledgement that it will require sacrifices from our wealthiest residential landlords.

If the committee would be assisted by my further commentary on any aspect of my submission, I would be most happy to provide further detail or to speak before the committee in person.

(END OF SUBMISSION)

Greg Tannahill

4 August 2022

NOTES

1: “Rent price control – yet another great equalizer of economic inequalities? Evidence from a century of historical data”, Kholodilin & Kohl, 2003.

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