



14 June 2017

Mr Stephen King &
Mr Richard Spencer
Commissioners
Productivity Commission
Canberra ACT

Dear Commissioners,

BlueCHP welcomes the Productivity Commission's Draft Report, *Introducing Competition and Informed User Choice into Human Services*.

As a leading Community Housing Provider, BlueCHP would like to provide comment on Section 5 of the Draft Report - *User Choice and Contestability in Social Housing*.

BlueCHP supports the general observations in the Draft Report. The social housing system is broken, assets are in poor condition and tenants are not well supported. Arguably, the problems identified in the Draft Report are the result of a distinct policy failure. In NSW for example, government has prevented Community Housing Providers from accessing land or a consistent pipeline of development opportunities, which if available would allow for greater investment in new supply. Investment would also be supported if the Federal Government provided additional income support.

The lack of a consistent policy, has kept the Community Housing sector, small and fragmented. Scale is essential if the social housing problems identified in the Draft Report are to be solved. For example, BlueCHP was selected by the Queensland Government as the preferred tenderer for the Logan Renewal Initiative, the largest transfer of social housing to the non-government sector in Australia. The scale of the project, allowed for favourable financing and construction arrangements, which in turn would have delivered significant value back to the Queensland Government.

The Logan Renewal Initiative is a practical example of what contestability means in the social housing sector. In the context of this project, contestability meant a competitive tender for suitably qualified organisations to complete the development aspects of the project, in partnership with a qualified organisation to deliver social services to tenants. The procurement mechanism adopted by the Queensland Government allowed for scale, which meant a flexible risk sharing mechanism was able to be designed.

Suite 3A, 12 O'Sullivan Road | PO Box 315X
LEUMEAH NSW 2560
Ph 02 4621 8600 | Fax 02 4620 0165
www.bluechp.com.au | Email office@bluechp.com.au

ABN 78 128 582 383

Alternative procurement mechanisms, like the Communities Plus programme in NSW, are site specific, which become marginal due to the mandated social housing requirements. Community Housing Providers, as not-for-profit entities, regulated by the National Regulatory System for Community Housing Providers, also have a unique capacity to deliver social services, including tenancy services, which the private sector, including real estate agents, would struggle to provide or show little interest.

Recent announcements in the Federal Budget, including measures to provide long term, low cost finance to Community Housing Providers, is welcome, and would provide a foundation for making Community Housing Providers the focal point in a new system, where private investment in new supply is possible. In the context of 'contestability', the design of how government grants access to Community Housing Providers is essential and must ensure procurement at a sufficient scale to share risk.

As demand for social housing increases, government must define itself in relation to Community Housing Providers in a way that allows coordination of various policy mechanisms. With access to government land and low cost finance, much is possible.

I would welcome any opportunity to give additional detail to the Productivity Commission's ongoing investigation into this important issue.

Yours sincerely,

Charles Northcote
CEO