

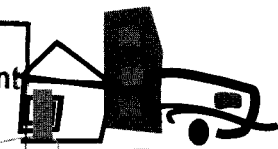


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The Hon Gavin Jennings MP
Minister for Environment and Climate Change
Level 22 / 50 Lonsdale Street
MELBOURNE VIC 3000

Department of
Sustainability and Environment

13 AUG 2008

**TENANTS UNION**

of Victoria Ltd

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Dear Minister

CORRESPONDENCE UNITMinister for Environment,
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Climate Change Green Paper

The Tenants Union of Victoria (TUV) welcomes the government's review of its climate change policies and programs and we look forward to having an opportunity to provide some input on the Victorian Green Paper on Climate Change.

We thought it appropriate to provide some preliminary comments to draw attention to the impact of climate change on those living in the private and public rental sectors in Victoria.

Who we are

The Tenants Union of Victoria (TUV) was established in 1975 as an advocacy organisation and specialist community legal centre, providing information and advice to residential tenants, rooming house and caravan park residents across the state. We assist about 25,000 private and public renters in Victoria each year. Our commitment is to improving the status, rights and conditions of all tenants in Victoria. We represent the interests of tenants in law and policy making by lobbying government and businesses to achieve better outcomes for tenants, and by promoting realistic and equitable alternatives to the present forms of rental housing, and financial assistance provided to low income households.

Climate change and renters

The socioeconomic profile of renters in Victoria makes them particularly vulnerable to the impact of climate change and emissions trading. A significant proportion of renting households live in poverty with their housing costs contributing to both their general hardship and their inability to pay their utilities bills. As a result, the impact of rapidly increasing energy and water prices is likely to have a disproportionate impact upon these households.

The rental sector is perceived as a poor alternative to home ownership. Despite this, approximately 439,028 household or about a quarter of Victorian households rent their homes. Once seen as a transitional tenure, renting has become the long-term option for many households who are unable to access home ownership or public rental housing. More than half of those living in rental housing experience housing stress, defined as devoting more than 30 percent of income to housing costs.

Climate change will have a particularly harsh impact upon low income households due to a two key factors:

- **Low income households devote a greater proportion of their budget to housing, energy and water costs than wealthier households:** Given household demand for energy and water is inelastic due to their essential nature, low income households have little choice but to pay increased prices.
- **Low income households are less able to introduce energy efficiency measures:** Few low income households can afford to invest in energy efficiency measures such as insulation and new energy efficient appliances.
- **Landlords are responsible for the maintenance and upgrade of the most significant energy and water saving measures:** The landlord is responsible for the standard of appliances for cooking, heating/cooling and hot/cold water as well as the general thermal efficiency of the dwelling. Even small changes by the tenant are subject to the landlords veto and may have to be reinstated at the end of the tenancy

As energy and water prices increase due to the impact of climate change and emissions trading, those who occupy thermally poor homes and own inefficient appliances will suffer a disadvantage in comparison to households with the capacity to reduce their consumption through energy efficiency.

Low income renters are particularly vulnerable due to their lack of control over the efficiency of their properties and fixed appliances. Tenants have neither the rights nor incentives to make capital investments in the properties they rent.

Climate change initiatives

Government has a range of options to ensure the burden of climate change is not disproportionately felt by households who rent.

Currently, there is little incentive for landlords to invest in the energy efficiency of their property. Subsidies and tax incentives for private landlords to invest in energy efficiency measures are unlikely to address the existing institutional barriers in isolation from other measures. Achieving greater energy efficiency in rental properties complicated by the problem of split incentives. While capital cost is the primary concern for landlords when selecting appliances and building materials, tenants incur the entire operating cost. Investment in capital improvements energy efficiency is likely to be motivated by the potential for increased rental income given landlords are motivated by returns. This will further disadvantage low income renters by causing rents to rise further. Investment in efficiency measures will remain a low priority for landlords in the absence of legislated minimum housing standards and regulation to prevent landlords unnecessarily passing costs on to the tenants.

In the context of decreasing affordability, marginally increasing income support for low income renters is unlikely to adequately offset the cost of higher energy and water costs. Because low income private renters have very little discretionary spending after housing and energy costs, small increases in income support are unlikely to adequately compensate for increased utilities bills. Low income in itself does not determine a household's inability to meet increased costs given household energy and water consumption is largely dependent on the efficiency of the dwelling and fixed appliances. Increased income has no demonstrable effect on the energy efficiency of the home given tenant household's incapacity to investing the property. Preference should be given to initiatives that contribute to reductions in the energy and water consumption of low income households.

A strong case can be made for decisive government intervention to assist landlords guarantee their rental properties do not unduly burden their tenants with the inevitable price increases. Assistance will also be required to support low income renters are not disadvantaged by their lack of control over their own energy consumption.

Recommendations

A significant reduction in Victoria's greenhouse emissions can be achieved by increasing the thermal and energy efficiency of all housing in Victoria. In the private rental market, we believe landlords will appreciate the long-term benefits of maintaining rental properties to at least a minimum standard.

The Tenants Union believe government can only ensure low income renters do not disproportionately bear the burden of climate change by instituting minimum housing standards addressing insulation and the efficiency of fixture appliances for rental properties in both the public and private rental markets.

The Tenants Union of Victoria recommends the government consider the following initiatives:

- Instituting a legislated minimum standards to ensure rental properties are equipped with insulation, heating and hot water conforming to minimum energy efficiency standards and be furnished with window coverings to provide some level of insulation;
- Ensuring compliance by making it an offense to lease properties not meeting standards;
- Requiring all new and existing public and private rental housing have a minimum 5-star energy efficiency rating; and
- Funding a loan-based scheme for the retrofitting of existing housing stock to meet these minimum standards for landlords with no other means to pay for retrofitting.

We welcome any further opportunity to discuss our recommendations and the issues discussed in this letter with you or with the relevant departmental staff. If you have any further questions or would like to discuss these issues further please contact our Policy and Advice Worker Toby Archer on 03 9411 1413 or 0417 138 471 to arrange a meeting.

Yours sincerely,



Mark O'Brien
Chief Executive Officer
Tenants Union of Victoria

CC: Justin Madden Minister for Planning
Richard Wynne Minister for Housing
Tony Robinson Minister for Consumer Affairs