

HOME TRUTHS



WHAT HAPPENED
TO THE GREAT
AUSTRALIAN DREAM?

BOB DAY

FOREWORD BY JIM WALLACE

Home Truths -

**What happened to the
Great Australian Dream?**

Bob Day AO



ABOUT THE AUTHOR

The contribution of Bob Day to the Australian community extends far beyond his business interests as one of Australia's leading home builders. His strong interest in youth unemployment, homelessness, urban planning, federalism and industrial relations is reflected in a wide range of appointments which include:

- National President of the Housing Industry Association
- Founder of Independent Contractors of Australia
- Director of the Centre for Independent Studies
- Member of the National Work for the Dole Advisory Committee
- Chairman of North East Vocational College
- Founder of Oz Homes Foundation

On Australia Day 2003 he was appointed an Officer of the Order of Australia for service to the housing industry, to social welfare - particularly housing the homeless – and to the community. Later the same year he was awarded the Centenary of Federation medal for service to housing and charity. In 2005 he was awarded the Pride of Australia medal for 'Community Spirit' for restoring the village of Houghton and creating the Soldiers Memorial Walk and Remembrance Wall.

Bob's company, Home Australia owns some of the industry's best known brand names including Homestead Homes in SA, Collier Homes in WA, Ashford Homes in Victoria, Newstart Homes in Qld and Huxley Homes in NSW.



F O R E W O R D

In this paper entitled “Home Truths”, author Bob Day outlines the importance of homeownership in providing an environment of social and economic stability for Australian families. He also laments the dramatic decline in housing affordability seen in all Australian cities over the past decade.

Day lays the blame for this decline in affordability squarely on the poor planning policies and revenue obsession of State Governments which have stifled land supply and raked in huge profits from the sale of their own landholdings. He says this policy of urban consolidation has driven up land prices to a point where homeownership is now beyond the reach of hundreds of thousands of low and middle income Australians.

The impact of declining affordability on future levels of homeownership is something that Day explores in detail. In particular he points to the social and economic costs - both individually and nationally, of people reaching retirement without the economic and social security that comes from having a home of their own.

Bob Day has laid a challenge before us – a challenge to restore housing affordability in the interests of all Australians. We need to ask ourselves, “Is an Australia in which fewer people have access to the economic and social benefits that homeownership brings a fairer and more decent Australia?”. I think not.

I commend this thought provoking paper to your consideration.

Jim Wallace AM
Canberra
October, 2006

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ISBN 0957758294

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The story is told of a local police force who were chasing a criminal who had fled into a large disused building. Their first thought was to surround the building but they soon realized that the building was so large and had so many doors and windows they didn't have enough police on the scene to cover all the exits. So instead, they surrounded the building next door which was smaller and had fewer exits.



Australians have been home owners rather than tenants ever since European settlement began. Land was cheap and wages were high and the culture of home ownership became strongly entrenched. The Torrens system of land titles made the buying and selling of real estate a simple and cheap transaction and the banks found that lending money for home buying was a secure and relatively risk-free business. After World War II, and the decisive rejection at the 1949 election of socialism as an economic doctrine, the Menzies governments of the post World War II era strongly promoted home ownership as a social goal for the majority of Australians.

Home ownership became a symbol of our self-reliance, a part of our national ethos and culture and this was particularly true for the hundreds of thousands of migrants who came to Australia from a war-torn Europe. The dream of home ownership, so deeply entrenched in the Australian psyche, is founded on the idea that in a free and democratic society the security and stability that comes from having a home of your own should be within the reach of all citizens. And so it was that from the 1950s onwards the rates of home ownership in Australia escalated sharply reaching 70% by the early 1980s before falling back to 65% in 2006. Home ownership has been a source of great opportunity for Australians. It has provided the means by which even those of modest means have been able to become property owners, acquiring a valuable asset which could be used as collateral for business ventures and entrepreneurial activity.

The benefits of home ownership however, extend far beyond the simple acquisition of assets. In his great 'Forgotten People' address in 1942, Sir Robert Menzies identified the moral component of home ownership. Menzies recognized the moral, social and emotional importance of the family home.

“The material home,” said Menzies, “represents the concrete expression of saving ‘for a home of our own.’ Your advanced socialists may rage against private property (even whilst they acquire it); but one of the best instincts in us is that which induces us to have one little piece of earth with a house and a garden which is ours, to which we can withdraw, in which we can be among our friends, into which no stranger may come against our will.”

Menzies understood that the human instinct to build and bequeath a home to our children sent lasting ripples through every aspect of social life. He went on:

“I do not believe that the real life of this nation is to be found in the great luxury hotels or so called fashionable suburbs. It is to be found in the homes of people who are nameless and unadvertised, and who, whatever their individual religious conviction, see in their children their greatest contribution to the immortality of the race. The home is the foundation of sanity and sobriety; it is the indispensable condition of continuity; its health determines the health of society.”

Menzies matched his words with deeds. He presided over an Australia with enviable levels of home ownership. It is no coincidence that this was an Australia with low levels of unemployment, low interest rates, high immigration, and a high degree of social cohesion.

During this era many hundreds of thousands of migrants came to Australia and they and their descendants have, beyond all proportion to their numbers, helped to make this nation what it is today.

For more than 50 years the average Australian was able to buy their first home on the average wage.

Traditionally, the median house price was around three times the median household income. For example, when the median income was just \$1,000 per annum in the early 1960s one could buy a basic house on a basic block of land for \$3,000. When the median income was \$10,000 per annum in the 1970s the median house price was \$30,000. And when the median income was \$40,000 per annum in the early 1990s the median house price in most capital cities was \$120,000. Young couples got a start in the housing market and worked up from there.

In 2006, in Adelaide, Melbourne and Brisbane, the median house price is more than six times the median income and in Sydney and Perth more than eight times. The long-standing nexus between house prices and incomes has been broken.

In 2000, when the Australian median house price in our capital cities was just \$195,600¹ and the median household income was \$40,196,² the average family could have purchased a home with just a modest deposit of a few thousand dollars.

Today, with the median house price hovering around \$334,200³ a family with the current median household income of \$51,064⁴ would require a deposit of more than \$100,000. Where is a family with that kind of annual income supposed to get such a deposit?

Like the story of the local police force, the government's response to the housing affordability crisis has been to 'surround another building.' They do things like require all new housing developments to set aside 15% of the dwellings for low-income buyers. This would be like forcing all new supermarkets to set aside special aisles with cheaper groceries for low income people. How these low income home buyers are to be selected and their credentials certified is never explained. Such measures do not confront the real culprit – the high cost of housing, but merely shift the problem onto someone else.

The social and economic consequences and long-term ramifications of the change in the income/house price nexus are horrendous and by and large not at all understood. For example, at six times median household income a family will fork out approx \$300,000 more on mortgage payments (principal and interest) than they would have had house prices remained at three times the median income. That's \$300,000 they are not able to spend on their children's education or family comforts or \$300,000 the family didn't need to earn and mum and/or dad could have worked less and spent more time at home and not needed to spend money on childcare.

For those on middle and low incomes the prospect of ever becoming homeowners has now all but evaporated as they face the prospect of being life-time renters. The intergenerational inequity created by this imbalance may not be evident at the moment but in time it will be. As we all know, if you don't own your home by the time you retire you're in big trouble.

We hear much these days about values. What does it say then about the values of a society that accumulates wealth at the expense of the next generation? Traditionally, wealth was transferred from the older generation to the next, younger generation. What we have done, for the first time in Australia's history, is taken the younger generations wealth and added it to our own.

US cyclist Lance Armstrong once wrote a book, *"It's not about the bike."* When it comes to housing affordability, *"It's not about the house!"* It's about the land the house sits on. Over the past five to ten years (1995 - 2005) the price of residential land across Australia has nearly trebled. By comparison, the cost of building a new house on that land has hardly moved. Where land once represented 25% of the cost of a new house and land package, it is now 60%. This is a disaster for a family trying to build their first home.

The seeds of the housing affordability crisis were sown back in the 1970s. Land was abundant, affordable and its management was largely

left to market forces. It was in this environment that State and Territory Governments (of all political persuasions) introduced land management agencies to establish and manage ‘land banks’.

When they were established, the aim of these government agencies seemed noble enough. They were charged with acquiring then holding large tracts of broadacre land so that a plentiful supply would be available to meet future homebuyer demand.

In South Australia the agency first formed in 1973 was called the South Australian Land Commission and its primary aim embedded in the Land Commission Act of 1973 was, “*the provision of land to those members of the community who do not have large financial resources.*” The Land Commission Act further made it clear that the Commission, “*shall not conduct its business with a view to making a profit.*” In 1981 these noble motives were deleted from the legislation as the Land Commission was reconstituted as the South Australian Urban Land Trust under a new Act.

But worse was to come. As land supply began to dwindle – the result of government planning regulation and zoning – a rationing effect came into play and land prices started to rise. The rises were more dramatic than most thought possible and in a time when first home buyers really needed help, the noble intentions that underpinned the formation of these land agencies evaporated and soon another set of aims were imposed.

In South Australia, the relevant authority, by this time known as the Land Management Corporation, had a mandate to “*maximize financial returns to Government*”.⁵ Note the not-too-subtle shift of emphasis from the original mandate - from the interests of the buyer to the interests of the seller. From “maintaining land affordability” to “maximising returns to Government.” Since its inception in 1973, the South Australian State Government’s land agency has seen land prices rise from \$2,000 per block to \$140,000 per block in 2006, a seventy fold increase. By comparison the

cost of building a 135sqm house increased from \$13,000 to \$90,000 over the same period, a seven fold increase. Think about that for a moment – a seventy fold increase for a commodity (land) controlled by Government (with a so-called ‘price containment’ policy), compared with a seven fold increase for a commodity (house) controlled by the private sector (with no price containment policy). Bear in mind also that ‘making a profit’ from land development was explicitly ruled out in the original legislation. One can only conclude that had the private sector been allowed to manage land supply like it has managed housing supply, we’d be enjoying land prices significantly lower than they are today.

This massive distortion in the price of land carries with it a multitude of detrimental impacts. Establishing affordable rental accommodation for those in greatest need becomes even more difficult for social and public housing authorities as they seek to purchase land and houses in a greatly inflated market. In a market environment like this, road widening and major infrastructure projects experience cost blow-outs as land acquisition costs sky rocket and the cost of establishing schools, community centres, health services and business facilities becomes difficult, and at times impossible. Inevitably the whole community suffers as a result of increased tax, transaction, finance and establishment costs.

South Australia’s LMC owns something like 90% of the developable land (undeveloped land over ten hectares) within Adelaide’s urban growth boundary. The LMC says it supports Adelaide’s urban growth boundary (well there’s the surprise of the century). Of course it supports the urban growth boundary, LMC is an arm of Treasury. It’s in the business of maximising financial returns. And urban growth boundaries are the surest way of limiting supply. The Government sets the rules, plays in the game and then decides who else can and cannot play against them. Not only that, they make millions from extra Stamp Duty as property prices rise. If that isn’t a conflict of interest, I don’t know what is.

State and Territory governments have made windfall profits at the expense of Australia's first homebuyers. According to their various Annual Reports, in 2004 the SA Land Management Corporation made a profit of \$38m, the WA Landcorp made a profit of \$45m, VicUrban made \$45m profit and the NSW agency Landcom made a whopping \$132m profit. In the ACT, the Land Development Agency also makes huge profits from its residential land portfolio.

It is important to remember that the scarcity that propelled land prices is artificial. This so-called 'land shortage' is not real. It is the product of restrictions invoked through planning regulation and zoning. A drive on any sunny day to the outskirts of all our major cities will reveal that there is abundant land suitable for housing development. The so called 'land shortage' is a matter of political choice, not of fact. Australia did not have to suffer this affordability crisis.

Perhaps someone should be asking the ACCC to investigate the anticompetitive behaviour of these State and Territory Government Land Agencies. As with the Land Management Corporation's support for the urban growth boundary, it is in all their interests to keep out new entrants. Keeping out new entrants however is not in the best interests of either competition or consumers.

But as well as the profit motive, State and Territory Governments have been spurred along by an urban planning cheer squad which is obsessed with curbing the size of our cities and pushing a policy of urban consolidation. Between them they have excluded more low and middle income earners from home ownership than at any other time in Australia's history.

The case for urban consolidation has been advanced on the back of a number of arguments – namely, that it is good for the environment, that it stems the loss of agricultural land, that it encourages people on to public transport, that it saves water, that it leads to a reduction in motor vehicle use and that it saves on infrastructure costs for Government. None of these, I repeat, none of these is true. The facts and evidence from around

the world refute each and every one of these claims. Urban consolidation is not good for the environment, it doesn't stem the loss of agricultural land – Australia has an abundance of fertile land suitable for agriculture, it doesn't encourage people onto public transport, it doesn't save water, it doesn't lead to a reduction in motor vehicle use and it doesn't save on infrastructure costs. In fact building brand new infrastructure on the fringe is cheaper than renewing or upgrading old infrastructure in the inner suburbs that was not designed for higher density living.

Does anyone really believe that forced compaction of communities can lead to less pollution, less vehicle use and savings on urban infrastructure? Do environments where there are no back yards for children to play, no room to build a shed and no room for trees to grow really offer better habitats than low density suburbanisation? And try holding a barbeque for 50 people on a 300 square metre block that has a 150 square metre house on it. Will people stop using their cars and start travelling by bus? Does a cost of housing that precludes low and middle income earners from becoming home owners really serve the greater interest of our society?

Nearly a decade ago Patrick Troy, Emeritus Professor at the Australian National University authored the book, *'The Perils of Urban Consolidation'* in which he squarely challenged the assumptions on which the urban consolidation principles are based. He pointed to flaws in the figures and arguments which have been used over and over again to support what is speciously called, "Smart Growth", and he argued that these policies will produce 'mean streets', not 'green streets'.

Evans and Hartwich, international researchers from Policy Exchange in the UK echoed these views in their recent paper entitled 'Unaffordable Housing', reporting that, "*Low rise, low density housing is better for bio-diversity than farmland and high-rise, high density urban housing.*"

Much has been written about bio-diversity and so-called 'Urban Dead Zones.' Naturally urban growth or 'urban sprawl' as they like to call it, has been blamed for this decrease in bio-diversity.

One need only look at the scenes below to recognise that the detractors of urban sprawl have it wrong with respect to bio-diversity. Is it the environments depicted in scenes 1-5 that create greatest bio-diversity or the flourishing vegetation of suburbia in 6?



Scene 1



Scene 2



Scene 3



Scene 4



Scene 5



Scene 6

I know a lot of this goes against the grain but it is incumbent on us to be honest and open about the facts. Scenes 1 - 4 are taken on the fringe of all our cities and are ideally suited to urban growth. We can have more bio-diversity, less air pollution, healthier children and more affordable housing if we go with scene No 6, not scenes 1 - 5.

The argument that suburbanisation significantly diminishes the agricultural footprint does not stack up either. While the reduction in the agricultural footprint in Australia over the past two decades has resulted in a reduction in land used for agricultural purposes of around 50 million hectares (due to improved productivity) the loss attributable to urban development is absolutely miniscule at just 0.3%.⁶

There has been much ill-considered comment about so-called water shortages. The fact is Australia, even south eastern Australia, does not lack water. Only 10 per cent of all water consumed is used by households. The bulk, 80% or more, is used by agriculture. One simply cannot use water to argue for a policy of forced urban consolidation.

A new study has also found that residents of high-rise apartment blocks in Sydney's east consume more water than those living in low-rise houses in the west. The research revealed Sydney's biggest water users per capita are the affluent residents of the northern and eastern suburbs, not the inhabitants of large homes in the outer western suburbs. These findings contradict a view held by most State government planners that medium and high-density apartment blocks are more water efficient than free-standing houses. Academics at the University of NSW used figures from Sydney Water, the census, and the Department of Lands, and rainfall modelling from the Australian National University to gauge water consumption across 140 Sydney districts and 1.5 million households. They found that while residents of the western suburbs used more water per household, residents of northern and eastern Sydney used up to 14 per cent more water per person.

Bill Randolph, of the the NSW University's City Futures Research Centre, said the western suburbs used more water in total because more people lived in households there, but the biggest water guzzlers per head in Sydney were in the north and east. Residents of the eastern suburbs used more water than their western counterparts in all four categories - freestanding houses, semi-detached houses, small and large blocks. "What we're finding is that high-rise flats in the eastern half of Sydney consume more water than low-rise houses in the west," Professor Randolph said. Professor Randolph said the finding had serious implications for

the State government's commitment to urban consolidation, based on an assumption that medium and high-density housing led to substantially lower domestic water use.

It has been argued that urban consolidation helps move people out of cars and onto public transport. Not so. International research on urbanisation and transport use by Wendell Cox, Principal Consultant of Demographia⁷ indicates that urban consolidation leads to longer work journeys, greater road congestion, increased air pollution and is spectacularly unsuccessful in moving people from cars to public transport. Not only that, Professor Troy also points out there is absolutely no evidence that people who live in the city use their cars less than those who live elsewhere.

Public transport might be useful for journeys to and from the Central Business District (CBD) or for people without cars however it is becoming less and less important due to an increased dispersion of trip destinations and the steady rise in car ownership. With public transport accounting for less than 10 percent of all trips made, cities need to concentrate more on their road systems and ensure they are maintained and expanded as a high priority.

The high cost of new infrastructure has been yet another reason advanced for curtailing the growth of cities, yet WD Woodhead in, "The Economics of Higher Density Housing," clearly states that:

"The assumption that there is excess infrastructure capacity in inner city suburbs is frequently erroneous. The various hydraulic services (water and sewer) in particular, are rarely uniform in capacity and often require upgrading. The lack of knowledge as to the status of infrastructure is a matter of concern."

Infrastructure developed to accommodate 1,000 to 2,000 people per square kilometre simply cannot withstand housing densities double that number and the cost of renewing or upgrading infrastructure in the inner suburbs is significantly greater than that of providing brand new infrastructure on the fringe.

It has also been suggested that the housing affordability crisis is all part of a world wide trend. Not true. An international housing affordability study by Hugh Pavletich⁸ and Wendell Cox of Demographia has confirmed that land rationing of the very kind we have seen in Australian cities is the principal cause of escalating land prices. The authors found that housing unaffordability was not the worldwide problem it was made out to be but was largely confined to Australian cities and cities on the East and West Coasts of America where constrictive land use polices are in place.

The situation in Australia is so severe that, according to the Demographia index which rates affordability by comparing median housing price as a multiple of median household income, all mainland Australian cities feature in the list of “seriously unaffordable” places in the world to live. If housing remains at its current level of unaffordability we can expect to see a serious decline in the levels of home ownership among future generations.

I used to run a newspaper advertisement with the headline, “If you do nothing else, make sure you own your home by the time you retire.” I used this approach because I wanted to emphasise that the benefits of being a homeowner become most evident when people retire.

It is now widely accepted that existing superannuation schemes will find it very difficult indeed to achieve their stated objective of giving Australians a decent retirement income yet people are denied access to their own money which has been compulsorily channelled into these superannuation schemes when they could be making significant inroads into home-ownership. There is no better hedge against poverty in one’s later years than to be in one’s own home. For first homebuyers, access to their superannuation savings for a deposit on a home is a must.

As I indicated earlier, in human affairs there has been an imprecise, and at times neglected, moral contract between generations which dictates we should leave things better than we found them. In other words, we shouldn’t arrange our lives simply to serve our own needs but we should consider those who are to follow.

When it comes to home ownership however, we are clearly breaking our contractual obligations. We are making home ownership much harder for the next generation. If we do not act to ensure that housing affordability is restored we will most certainly deny vast numbers of young people the opportunity to become home owners. The social and economic consequence of large numbers of people reaching retirement as renters will not only effect the quality of their lives and the choices they are able to make but it will also create an enormous burden for government in funding housing and social services.

Soon the ageing of the Australian population will challenge the capacity of governments to provide adequate health and aged care services. The adverse social and economic impact of home ownership levels dropping below the 2006 65% level, will compound these problems. In 1986 the Commonwealth government spent less than \$1bn on aged care. In 2005 it exceeded \$6.5bn.⁹ These expenditures will continue to increase and the pace and scope of change in this area will always rapidly outstrip the ability of governments to manage it.

Restoring housing affordability is central to the long term wellbeing of both individuals and the nation. It is also critical to enabling ordinary Australians to develop the capacity to be self-reliant.

The link between land rationing policies and housing affordability has been clearly demonstrated. In the 2006 Demographia International Housing Affordability Survey of the 100 major urban markets in Australia, Canada, Ireland, New Zealand, United Kingdom and United States the correlation was expressed as follows:

“A growing body of research indicates that the proximate cause of the extraordinary house price escalation in the unaffordable markets is government policies that create land scarcity. These policies, which range from so-called “smart growth” policies that prohibit housing on large swaths of land to government land hoarding, are to be found throughout the markets rated as “severely unaffordable”. At the same time, much lighter land regulation is typical of the “affordable” markets.”



CODE	CITY	COUNTRY	CODE	CITY	COUNTRY
ROC	Rochester	USA	MIL	Milwaukee	USA
BUF	Buffalo	USA	POR	Portland	USA
IPS	Indianapolis	USA	TOR	Toronto	Canada
PGH	Pittsburgh	USA	BAL	Baltimore	USA
STL	St Louis	USA	CHI	Chicago	USA
OKC	Oklahoma City	USA	TSP	Tampa-St Petersburg	USA
KC	Kansas City	USA	PHX	Phoenix	USA
DFW	Dallas-Fort Worth	USA	MAN	Manchester	UK
CIN	Cincinnati	USA	SEA	Seattle	USA
AUS	Austin	USA	ORL	Orlando	USA
LVL	Louisville	USA	BIR	Birmingham	UK
ATL	Atlanta	USA	PRV	Providence	USA
EDM	Edmonton	Canada	L-B	Leeds-Bradford	UK
SA	San Antonio	USA	DUB	Dublin	Ireland
HOU	Houston	USA	BRS	Brisbane	Australia
COL	Columbus	USA	BOS	Boston	USA
CLV	Cleveland	USA	PER	Perth	Australia
DET	Detroit	USA	WDC	Washington	USA
MEM	Memphis	USA	MEL	Melbourne	Australia
CGY	Calgary	Canada	LV	Las Vegas	USA
NVL	Nashville	USA	ADL	Adelaide	Australia
MON	Montreal	Canada	AUK	Auckland	NZ
MSP	Minneapolis-St Paul	USA	VAN	Vancouver	Canada
NO	New Orleans	USA	SAC	Sacramento	USA
CHA	Charlotte	USA	LON	London	UK
JVL	Jacksonville	USA	NT	New York	USA
HFD	Hartford	USA	SYD	Sydney	Australia
PHI	Philadelphia	USA	MIA	Miami	USA
VB	Virginia Beach	USA	SF	San Francisco	USA
DEN	Denver	USA	SD	San Diego	USA
GGW	Glasgow	UK	LA	Los Angeles	USA

The first, and major, step in restoring housing affordability lies in governments stepping aside from the land management role and allowing the natural forces of supply and demand to return to the market. It is only as adequate supply returns to the market that land prices will fall. Urban growth boundaries must be removed and the abandonment of the insane notion of “x” years supply of land available. The home buying public will decide how many years’ supply of land there is, not the government. The removal of urban growth boundaries and other restraints on land use is equally important for landowners. These boundaries and planning restraints effectively ‘nationalise’ their land preventing those with land outside the boundaries from obtaining a fair value for it. It further inflates the value of land within the boundaries resulting in wasteful lobbying to have land rezoned. Corruption of public officials in dealing with zoning changes is not uncommon.

The second area where governments must curb their avarice relates to their ever expanding range of taxes, fees and infrastructure charges which add tens of thousands of dollars to the cost of developing land. In Sydney the situation is so extreme that these charges add over \$100,000 to the cost of a building allotment. One could be forgiven for thinking that pressures like these are part of an elaborate plan to deny young families the opportunity of home ownership. Whatever the intention, unless governments take serious measures to reduce development charges, the next generation will continue to pay heavily for their short-sighted thinking.

The third area where major reform is required relates to the complication and fickleness of planning and building rules. Obtaining planning or development approval to build even a simple house has become something of an art form with few mastering the art. Expensive and unreasonable delays are now the norm rather than the exception as local government planners assume total control of all new development. For a young, growing country this is untenable.

This control is now so complete that any notion of ‘customer service’ is long gone. Take this following extract from the Planning Department of a suburban shire council.

“ To assist in the processing of your application, please do not telephone to ask if we have received your documents or how your application is progressing. We are not able to answer enquiries such as these and telephone calls to make such enquiries delay a decision on your application. We will contact you if we require further information from you or when your application is decided.”

Given that local shire councils are notorious for losing and/or misplacing documents or having staff on sick leave, annual leave, long service leave or at conferences, the instruction from these councils that applicants refrain from tracking the progress of their development applications is absurd. As happened with building and construction applications, the private certification of planning applications is essential. Any qualified Town Planner should be permitted to certify that a development application complies with a local government development plan.

Urban planners, by promoting urban consolidation and at the same time demonizing urban growth have inflicted enormous damage on the economy and society in general and all without any factual, scientific or intellectually sustainable arguments to back up their misguided dogma. Billions of dollars have been wasted and enormous pain inflicted on the community as a result. And all they ever say in defence of their ideology is “it depends on what you want our cities to look like.” Well, if you ask me, they’d look a whole lot better without the traffic congestion, air pollution, destruction of biodiversity and high density infill projects which have destroyed the character of some of our most beautiful suburbs – delightful suburbs which predate urban planners and were constructed by people advancing their own interests, rather than some social engineering agenda.

The economic consequences of all that has happened over these past few years have been as profound as they have been damaging. The capital structure of our economy has been seriously distorted and getting it back into alignment with reality will take time. But it is a realignment that is necessary. We cannot deny the rising generation a home of their own merely to satisfy the indulgences of town planners and State and Territory

Treasury officials. We cannot deny ourselves the joys of grandchildren because the young women of Australia have to work to pay mortgages instead of raising a family. The joke that high mortgages are the new contraceptive is becoming no laughing matter. Young women used to be afraid of getting pregnant, now they are afraid of not getting pregnant. We have to get back to the situation where a couple can pay off a mortgage on one income so they can start a family in their late 20s, not in their late 30s or early 40s.

The history of State and Territory land management and urban planning policies and the extraordinary escalation in house prices which has taken place in our capital cities, particularly Sydney and Perth, in recent decades, has many important lessons for us.

From my perspective, that of a builder who has been in the industry for more than 30 years and who has seen what has happened from the inside, it was bleeding obvious that the cause of rising house prices was the squeeze on the supply of land for new housing on the urban fringes of our major cities. It is the most basic law of economics that if supply is constrained for whatever reason, the price will rise. And in this instance supply was not just constrained, it was strangled almost to death.

But more disturbingly, all our important economic institutions, the Reserve Bank, the Productivity Commission, the Commonwealth Treasury and every economic commentator in the land, refused to acknowledge that supply factors were the cause of rapidly escalating house prices and seemed interested only in demand factors such as capital gains tax breaks, negative gearing, interest rates, first home buyers' grants and so on. We need to ask, therefore, how did we get this unanimity of wrong advice? And how can we try to ensure that it doesn't happen again? While I have been banging on this drum for over ten years, it has been pleasing to see the Prime Minister, the Treasurer, and the Governor of the Reserve Bank, all highlighting the way in which State and Territory Government restrictions on land supply have created this crisis.

To fix the problem for good and ensure that future generations do not suffer the same fate we need to do five things:

1. Where they have been applied, we need to remove urban growth boundaries or zoning restrictions on the urban fringes of our cities. Residential development on the urban fringe needs to be made a “permitted use.” In other words, there should be no zoning restrictions in turning rural fringe land into residential land.
2. We need to encourage small players back into the market by abolishing compulsory ‘Master Planning.’ If large developers wish to initiate Master Planned Communities, that’s fine, but don’t make them compulsory.
3. Allow the development of basic serviced allotments ie water, sewer, electricity, stormwater, bitumen road, street lighting and street signage. Additional services and amenities (lakes, entrance walls, childcare centres, bike trails, etc etc can be optional extras if the developer wishes to provide them and the buyers are willing to pay for them).
4. Privatise planning approvals. Any qualified Town Planner should be able to certify that a development application complies with a Local Government’s Development Plan.
5. No up-front infrastructure charges. All services should be allowed to be paid for through the rates system ie pay ‘as’ you use, not ‘before’ you use. The inequity of up-front infrastructure charging is obscene. First home buyers on the urban fringe are subsidizing, through their electricity, water, sewer and council rates, the massive repair and upgrading of existing, older infrastructure in the inner suburbs in order to accommodate wealthy ‘in-fill’ homebuyers.

Now a lot of people have expressed concern that if more land is released on the urban fringe to allow first home buyers back into the market it will depress existing house prices in the inner suburbs. Not so. There is a big difference between entry level first home ownership on the urban fringe and house prices in existing suburbs. The two subjects are quite different and an understanding of buyer behaviour in the property market is required.

People who want to live in the inner suburbs will not move to the urban fringe no matter how cheap the land is. And the sheer volume of housing stock tells us that lowering the price of new blocks of land on the fringes of our cities isn't going to affect the price of ten million houses in the existing suburbs to any significant degree. Lowering the price of land also brings a whole new group of buyers into the market – renters who can now afford to buy in.

When we provide people with the opportunity of home ownership we provide them with much more than a house. According to international and national research, home owners:

- Have better health than their renting counterparts
- Their children do better at school
- They have greater self confidence
- They move less frequently
- They are more involved in their communities and
- Their children are much more likely to also become homeowners

Further, in communities where home ownership levels are high, crime is lower, household incomes are higher, community involvement is higher and some studies have even shown divorce rates to be lower.

Homeowners have a tangible stake in their community. They live where they choose and for as long as they choose. Unlike renters, they do not face the prospect of having to pack up the family and move on at the expiration of every lease. Nor do they face ever increasing rents for a property in which they will never have a stake.

While research may quantify the benefits of home ownership it only confirms what has been intuitively known for centuries, namely that home ownership promotes security and stability. In the words of CS Lewis, “Urban areas are where the opportunities are.”

The economic and personal security that comes from investing in your own home delivers, over time, a reduced housing cost and the wide range of future choices that come with having a valuable and tradable asset. When the time for retirement does come, people who own their homes have so many more choices than renters.

The cost of family breakdown, in both human and economic terms, is so great that we can ill-afford to maintain obstacles that make life more difficult for families. Restoring home ownership is critical to the best interests of Australian families and the nation as a whole will benefit from the removal of the tyranny of urban planning.

Given the vast social, emotional and economic benefits that flow from strong marriages and healthy family life, not only for individuals but for entire communities, we all have a stake in their success.

Ensuring that home ownership is the expectation of the many rather than the privilege of the few, is one of the most important and tangible ways in which we can encourage self-reliance and strengthen Australian families.

- ¹ Housing Industry Association Data 2006
- ² ABS 2000/2001
- ³ Housing Industry Association Data 2006
- ⁴ ABS 2003/2004
- ⁵ LMC Annual Report 2000
- ⁶ Wendell Cox, Demographia Presentation, Adelaide 2005
- ⁷ Demographia International Housing Affordability Survey 2006
- ⁸ Hugh Pavletich, Pavletich Properties, Christchurch, New Zealand
- ⁹ Health & Ageing Fact Book 2006

“Planning for Failure – Home Truths about Home Affordability”

When home ownership in Australia is at grave risk of becoming the privilege of the few rather than the expectation of the many, we can expect trouble – socially and economically. With house prices doubling in real terms over the past decade we are in such a position right now.

In this paper by Bob Day he:

- examines the social and economic consequences of declining home ownership
- confronts the tyranny of urban planning
- exposes the culpability of State & Territory land management agencies
- reveals the truth and lies about urban growth
- asks why our economic institutions got it so wrong and
- provides practical solutions on how to restore housing affordability