

## **Senate Select Committee on Housing Affordability in Australia**

The Committee

### **Two prerequisites for sensible and rational decisions on Housing Affordability and some general comments**

#### **1) A Population Policy.**

Unless your committee takes account of rapid population growth in its deliberations, then it will be wasting its time.

The population is growing at a rate in excess of 250,000 per annum; or over one million every four years. This represents a very high demand level for housing and is unprecedented in Australia's history and is the main factor driving up house prices.

With a static population, or a lesser rate of growth, there would not be an affordability crisis.

Tinkering with the six items included in your list will have very little bearing on affordability when demand for housing is growing at such a high rate.

The fact that you did not include rapid population growth in your submission list, is a very serious oversight and must be addressed by you.

So the first finding of the committee should be for the development by government of a formal population policy. This Policy must include information on numbers proposed, new settlement areas and infrastructure demands and costs, amongst other things.

Only when you have such a policy to refer to, will you be in a position to make rational and effective decisions on affordability.

As an interim measure, the committee should establish what level of population growth can be provided for from current housing supply; i.e. What level would avoid any deterioration in affordability? The committee should then advise Government to reduce immigration and take other measures to reduce population growth to this level.

This will require a reduction of at least 75% to population growth i.e. to a total of about 50,000 additional per annum.

If this measure is not taken, the nation is faced with a growth in population of about 1.3 million persons over the next four years, which will exacerbate the current situation and cause increased homelessness and other social problems.

#### **2) A National Infrastructure database.**

The second finding of the committee should be for the development by government of a National infrastructure list and database. A centralised database listing all Australia's Public infrastructure, at all levels of Government, i.e. Local, State and Federal, with an indication of its total replacement value, life, and maintenance costs. This should include all types of infrastructure; hard eg roads and structures and soft eg schools, hospitals.

Such a list does not exist at the present time.

The value of this to your findings is that you would know what infrastructure costs should be included in the value of new and existing land development. This would assist you to make rational and informed decisions.

Many people would think that new land developments or developments resulting from changes to Planning laws should cover all additional infrastructure requirements costs. Currently it does not.

You may decide that an element of infrastructure costs should be waived or subsidised to reduce land costs; if you do, you are not in a position to know the cost to the community at large of doing this. This cost, or at least a reference to the basis of this, is something which you should make clear in any decisions of this type; otherwise increased affordability for some, comes at the cost of an unknown subsidy by others. It is reasonable to expect that the public should be aware of the basis and degree of any subsidy. Clearly it is not for the committee to deal with the details of this, only to provide the principles and to ensure that the information needed is available.

At present you can not know this cost and neither does the Government. The committee should know in general terms what infrastructure costs for each new housing unit and for individuals are, as it is central to supply and affordability issues. If you do not know this then you are working in the dark and you will not be able to provide clear and informed advice. To limit your decisions to be concerned only with development costs of local infrastructure, eg local roads, parks and water supply is not sufficient. It favours only developers at the expense of the rest of society.

3) **Some general comments** for consideration are:

**i) Urban Edge development**

The possible consequences of increased urban edge (outer suburbs and rural zones) development should not be seen as a simple answer to the problem. If such development takes place without the necessary transport infrastructure and local job prospects it will be a recipe for developing social problems. Increased fuel costs due to global oil scarcity, over the next ten years, will preclude widespread car ownership and will add to all transport costs. In addition to which, the consequences of global warming are going to significantly reduce household incomes and general prosperity. So the last thing you should be encouraging or promoting is development which will in a few years become poor, isolated and jobless outer urban ghettos.

**ii) Illogical short term Government solutions**

It has been suggested by Government Ministers that increasing the immigration of building tradespersons will help ameliorate the building supply situation. However a little analysis will reveal that this would have the opposite effect. The increased population numbers will increase demand for housing. It will be at least three years before they meet their own demand through production and make a positive contribution to housing stock. It may take another five to ten years before they cover the cost of their own infrastructure demands by their individual productive contributions to the economy. So in fact there would be a real lag of at least 8 years before their productivity improves the overall affordability situation.

Similar argument applies to most new immigrants, particularly in the service sector, with the possible exception of those immigrants who have a disproportionately large effect on national efficiency. It can be argued from this, very generally, that each new immigrant detrimentally affects the national supply of housing stock (and thus affordability) for a number of years. i.e it is a long term issue and should be addressed by Government as part of its immigration policies. Currently this is not done. This requires urgent study by Government.

**ii) Need for long term analysis**

The committee should endeavour to do some longer term forward analysis and modelling of housing affordability, say for the next ten years and twenty years. This should take account of the sort of things I have mentioned above, and issues which are raised with you by others. If you do not do this then any conclusions you reach, based on the current situation, will be quickly swept aside and negated by events.

Geoff Holman