

**PRIME MINISTER**FOR MEDIASUNDAY, 21 MARCH 1982ELECTORATE TALK

The housing policy package announced by the Treasurer, John Howard, last Thursday confirms the Government's concern for the objective of home ownership. Indeed it is under Liberal Governments in the post-war period that the dream of home ownership has become a reality for the great majority of Australian households. Today almost 72% of Australian households own or are buying their own home, compared to around 50 - 55% in the late 1940s. Among young adults, the improvements in home ownership prospects has been even more dramatic. In the 25-34 year old age group, the proportion buying or purchasing their own homes has increased from less than 37% in the late 1940s to over 60% today.

For the great majority of people the purchase of a home is the biggest, and probably the most complex purchase they make. It involves saving for a deposit, for furniture and fittings it involves dealing with banks or building societies, with agents and solicitors, and it involves a commitment to spend the equivalent of several years of their annual income. They are prepared to do all of this because they recognise that they are not only acquiring an asset of great value in itself, but also providing for themselves and their families a basis of security and stability.

Achievement of the goal of home ownership has never been easy, and in various ways over the years governments have assisted and encouraged the growth in the level of home ownership. In recent times, for a variety of reasons, the intending home buyer has faced increasing difficulty. Much of the discussion of these problems has focused on interest rates, but while interest rate increases have undeniably played a part, it would be wrong to say that they have been the only, or even the most fundamental problem. Indeed for anyone who started to buy a home four or five years ago or more, the burden of meeting their repayments has declined significantly despite the increases in interest rates that have subsequently occurred.

Many of the difficulties faced by more recent homebuyers, and by those now wanting to buy their first home have arisen from

the pressure of costs on house prices. Increases in the price of land and increases in the cost of home building are in part a consequence of overall inflationary trends which can only be addressed by continued firm economic policies. But the costs imposed by building regulations and servicing costs have also posed very material problems for many home buyers, and state and local governments have a real responsibility to examine very closely their policies in these areas where they add to the ultimate cost of housing.

There can be no doubt, however, that the current world environment of high interest rates - from which the Australian economy cannot realistically be insulated - has also made a significant contribution towards difficulties which have arisen in the housing area. With institutions such as savings banks constrained in terms of what interest rates they can offer on deposits, household savers have tended to shift their deposits to other areas, and the funds available to home buyers from the traditional home lending institutions have diminished, leaving many people unable to borrow, or forcing them to seek additional funds from other more costly sources.

The package of measures announced by the Treasurer faces up to these realities, and concentrates assistance on those who really are in need. It increases the availability of housing finance to new borrowers through the banks, which have guaranteed an extra \$400 million on top of their normal lending in the next 12 months for housing loans. That represents over 12,000 additional loans. It provides increased assistance, and more timely assistance, to families with modest incomes saving to buy their first home, through a modified home savings grant scheme, which will help over 40,000 home buyers each year.

It provides assistance in meeting increased repayment burdens through a tax rebate scheme for over 450,000 home buyers who first entered home ownership in the last five years, and will provide similar assistance to all new first home buyers in the future. It provides additional assistance to all home buyers who took out loans from the nationally operating banks in the last two years, through an agreement with the banks that they will defer increased repayments for those borrowers for two years if they wish, and the banks have agreed to develop special arrangements, including low start mortgages, to further assist new first home buyers in the early years of their loans. And it provides for special assistance through joint arrangements to be developed with the states, for low income home buyers and private renters who are facing extreme difficulty and hardship in meeting their housing costs.

At the same time we have realistically faced up to the problem that the nationally operated banks and savings banks have faced in paying for deposits to allow them to make more loans by allowing them to raise interest rates on home loans by 1 percentage point to 13½%. Even on this level their home

lending rate is no higher than that charged on substantial housing loans by building societies in any state, and is lower than in most. It is worth noting that the building societies and their rates are under the legislative authority of state governments, not of the Commonwealth. For those who bought their first home with the aid of a loan from a bank in the last five years, the cost of the higher interest rate will be offset by the new tax rebate available to them, and almost half of all borrowers from the banks will be offered the choice of deferring any consequential increase in their repayments for two years.

The new deal that has been given to recent and prospective home buyers puts beyond doubt the Commonwealth Government's commitment to home ownership. Here in Victoria, Premier Lindsay Thompson and Housing Minister Jeff Kennett have welcomed the Commonwealth Government's package which they estimate will assist some 175,000 Victorian families, and they have added to it a housing subsidy scheme of their own to assist all other family home buyers in the State of Victoria. I am sure that all home buyers in Victoria will welcome their imaginative commitment.

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