



PRIME MINISTER

FOR MEDIA

SATURDAY, 3 APRIL 1982

OPENING OF THE 17TH NATIONAL HOUSING
CONVENTION OF THE HOUSING INDUSTRY ASSOCIATION

It is great pleasure to have the opportunity to open this 17th National Housing Convention of the Housing Industry Association. The industry you represent is one of vital importance to Australia, not only economically, but also socially. For housing and shelter is not merely a basic human need. It is also an essential ingredient in the maintenance of a strong human society; an essential ingredient in family stability which is fundamental to the strength of our society.

At a time when people, and especially families, are faced with increasing pressures in a complex and demanding world, it is essential that we continue to maintain access to a home base within which family life can develop and be protected.

The economic contribution that the housing industry makes is equally important. It is, indeed, a major sector of the economy, with annual expenditure on private dwellings representing some 30% of all private investment; with tens of thousands of persons directly employed, including a large proportion of self-employed persons; and with significant links into many other sectors, including manufacturing industry, and the financial sector. The support which the housing industry, through the Housing Industry - through the HIA - has given the main thrust of the Government's economic policies has been welcomed by me and my Cabinet colleagues. For it has been support which has looked more to the long-term interests of the economy, than to narrow short-term advantages of the housing sector. And support for the fundamental principles of the private enterprise system and for policies designed to strengthen that system, is in the end support for building up Australia, and support for promotion of the well-being and prosperity of all Australians and all Australian families.

You will not be surprised to learn that it is about aspects of housing policy, about the nature of the Government's new housing package, about the context in which that package was developed, and about some related issues that I intend to talk to you today. I have spoken on several recent occasions of the challenges that Australia faces at the present time: challenges arising from overseas conditions, including continuing uncertainty in the world economic outlook and the world-wide phenomenon of high interest rates; and challenges arising from domestic conditions including wage and price pressures, strikes and industrial disputes, and some unreal expectations.

I have also spoken of how the Government's policies, of how our fiscal and monetary policies, our industry assistance policies, and our industrial relations policies have been designed to meet the challenges, and to respond flexibly to them. Above all, our policies are dedicated to keeping growth going in Australia, to securing the confidence and investment on which growth depends, to maintaining the well-being and prosperity of all Australians, and to making sure that we are prepared to take full advantage of world recovery when it eventually comes.

The Government's new housing policy package provides an unmistakable example of our willingness and our ability to address the problems, and to meet the concerns, that had grown up in current circumstances about Australia's ability to maintain its cherished ideal of home ownership. It provides an unmistakable example of our willingness and our ability to balance the requirements of responsible overall economic management, with a concern for broader social objectives and for those in need.

I believe that in terms of its comprehensiveness, its practicality, and its capacity to give help where help is needed, our package of assistance is without parallel; and it underlines the long-standing commitment of this Government, indeed of all Liberal Governments in the post-war period, to home ownership. Back in the late 1940's, less than 54% of Australian households owned or were buying their own home, whereas today almost 72% are, and that level of home-ownership is almost without comparison in the world. Among young adults, the improvement in home ownership prospects has been even more dramatic, for in the 25-34 year old age group, the proportion owning or buying their own homes has increased from less than 37% in the late 1940's to over 60% today.

There could hardly be a clearer example of the way in which rising living standards and the capacity for early achievement have been promoted under Liberal governments over the last 30 years. And it is not only the ability to achieve home ownership that has been markedly improved. The standards of housing that people can aspire to, and the range and quality of equipment they can expect to have in their homes, could barely have been imagined 30 years ago. Indeed so great has been the rate of improvement in housing standards, that expectations may be rising too fast. And while we want the best possible houses for Australia's families, it can only be hurtful to encourage expectations which most people will not be able to afford.

Achievement of the goal of home ownership has never been easy. For the great majority of people, it involves the biggest transaction they make; it involves saving for a deposit, and for furniture, it involves complex dealings with banks or building societies, agents and solicitors, and it involves a commitment to spend the equivalent of several years of their annual income, and to make substantial monthly repayments, often at a time when other demands on the family's income are also at their greatest. People are prepared to do all of this because they recognise that

they are not only acquiring an asset of great value in itself, not only acquiring a share in Australia's growing wealth, but also providing for themselves and their families a basis of security and stability.

The difficulties, and the sacrifices which have always confronted the intending home buyer have intensified in the last few years, in large part for reasons that are unquestionably related to the broader economic challenges and problems that I mentioned earlier, especially the wage and price pressures that are being felt in Australia, and the high interest rates that are being faced throughout the industrialised world. Although much attention has been focussed on the interest rate issue, rising house prices - particularly in Sydney - have played an important part. To put the point into perspective, for anyone who bought a home four or five years ago, the burden of meeting their repayments had declined significantly in relation to their income, despite the increases in interest rates that have subsequently occurred.

Those who have bought more recently, and those now seeking to buy a home, are being faced not only with higher interest rates, but also by substantially inflated house prices which have led to increasing difficulties for people, especially those with modest incomes, in meeting deposit requirements, and created increasingly demanding repayment burdens, particularly in the early years of loans, and particularly under the conventional (credit foncier) loan arrangements. At the same time, the traditional home lending institutions, constrained in the interest rates they can offer on deposits, and facing increased competition from other financial institutions, have been unable to maintain the flow of funds into housing loans, and this has forced many intending borrowers to seek funds from higher cost secondary lending sources, if they can obtain a loan at all.

It was these "front-end" problems - getting the funds, getting into a home, and maintaining repayments in the early years - that were identified in the Government's review of housing policy as the critical factors giving rise to the intense concerns expressed throughout the community. In the long run, it is by bringing wage and price pressures under control, and by getting interest rates down, that the difficulties faced by the home buyer can be relieved in a lasting way, and the broad thrust of our economic policies is directed towards that end.

The Government's policies of expenditure restraint, of winding back the deficit and of firm money supply control have made a significant contribution to winding-down wage and price increases from the damaging levels that were being experienced in Australia in 1974 and 1975. And in the face of renewed wages pressures we are determined to maintain our approach of restraint, to achieve a growth in the supply of money adequate to allow continued expansion of activity in the economy, but not such as to accommodate an inflationary wages scramble.

But unless state governments are also prepared to restrain their spending and their borrowing requirements, and unless all governments and all employers are prepared to take a firm stand against unreasonable demands for wage increases and shorter hours, our ability to prevent the emergence of a vicious circle of wage and price increases leading to declining activity and increasing unemployment would be limited indeed. Reducing inflationary pressures, and inflationary expectations is equally important to reducing pressures on interest rates.

Many factors underlie the level of interest rates prevailing in Australia today. Despite the great progress that we have made in winding back the Commonwealth's demands on capital markets, the previous Labor Governments' irresponsible levels of deficit financing continue to have an effect both through the legacy of inflation generated by their monetary and fiscal excesses, and through the need for their borrowings to be rolled over. Moreover, the demands placed on the capital market by state governments, in part to finance necessary infrastructure investment, remain high in relation to GDP; the demand for funds to meet the capital requirements of the private sector in Australia remains strong; and in particular high interest rates overseas, which have arisen in large part from a policy mismatch of large budget deficits and tight monetary controls, have inevitably affected us too.

The Government cannot determine interest rates in Australia by decree. To attempt to do so would simply cause a rapid decline in funds available for activities, including housing, and a flood of money would leave this country. While interest rates elsewhere remain high, there is no simple route to lower interest rates in Australia, the Government can only continue to follow the hard road of reducing the public sector's call on resources, and of bringing all the pressure it can on winding back inflation.

But in the meantime we have to face the situation as it is now, as it is affecting families now, we had to meet the current concerns about housing, even at some cost to the Budget and the consequent need for the Government to re-order its spending priorities in other areas. The problems were complex, and as a result the solutions we have offered in the form of our housing package are necessarily complex too, but they represent I believe, both a realistic and a ~~relevant~~ response.

Through our new deposit assistance scheme, which will help over 40,000 home buyers each year, increased, and more timely assistance will be given to people with modest incomes saving to buy their first home. Moreover, over 450,000 home buyers can expect to receive a benefit under our new family home tax rebate scheme, which will give five years of assistance in meeting the burden of repayments to all people who enter home ownership for the first time in at least the next ~~three years~~, and equivalent assistance, depending on when they first took up ownership, for all those who first entered home ownership in the last five years. And, under matching grant arrangements being worked

out with the states and the Northern Territory, the Commonwealth Government is providing \$20 million a year to assist low income home buyers and private renters who are facing hardship in meeting their housing costs.

The nationally operating banks and savings banks, in the context of an agreement worked out with the Government, are also making a significant direct contribution. Those banks have agreed, in the first place, to provide an extra \$400 million for housing loans on top of their normal lending over the next twelve months, and to provide, where appropriate, some increase in the size of loans. This will make available upwards of 12,000 additional housing loans, and will reduce the need for people to resort to more expensive secondary sources of finance. The banks have also, and very importantly, agreed that they will develop special arrangements - including low start mortgages - to further assist new home buyers in the critical early years of their loans.

These agreements were worked out in recognition of the very real problems that borrowers have been facing, and in recognition of the fact that an increase in the savings bank rate for home lending was needed to allow the banks to compete more effectively for deposits. However, even at its new level of 13½%, the savings bank housing interest rate is no higher than that charged on housing loans of \$30,000 or more by building societies in any state, and is lower than in most. And the banks have agreed that all home buyers who took out housing loans in the last two years will be offered the option of deferring for two years the consequential increase in their repayments, an arrangement which will be available to some 160,000 borrowers, covering about 46% of all loans outstanding from the savings banks.

In agreeing to undertake these initiatives, the banks and savings banks have re-affirmed their acceptance of an important social obligation to assist home ownership, and the Government will be carefully monitoring implementation of all aspects of the agreements. While the nature of financial markets has certainly changed significantly in recent years, and while the changes may have met unfilled needs, and improved the efficiency of the financial system, I believe that the fundamental social role of the financial system must continue to be given due regard. For although the banks, the savings banks and other financial institutions may be constrained in their operations in various ways, those constraints often serve important social purposes, and the institutions receive in return a variety of privileges and forms of protection that they value highly. The balance between constraints and privileges needs always to be borne in mind.

With the contribution to be made by the banks, and by the Commonwealth Government, the most critical of the current challenges to the housing industry and to home ownership have been squarely

confronted. In saying this, I am not suggesting that nothing is left to be done, or that the problems of attaining home ownership are solved for all time. Indeed, our decision to incorporate sunset clauses into legislation implementing the housing package involves a recognition that our measures ought to be reviewed in the light of changing needs and circumstances.

Moreover, not all responsibility for housing and housing costs, nor control of all institutions acting as major sources of housing finance, resides with the Commonwealth Government. There is certainly scope for state governments and their local authorities to consider their own policies in the housing area. For example, the costs of land, the costs of servicing that land, and the costs imposed by building regulations have all made a material contribution to rising prices of new homes. Obviously the scarcity of raw land in close proximity to the inner city areas has had an influence, but I also understand that developed land costs have been significantly influenced by lengthy delays in development approvals, by great variations in regulations between areas, and by requirements imposed on land developers to provide services and amenities of a sort, and of a quality that impose a substantial cost burden on current purchasers of land.

To the extent that this is so, new home buyers are being asked to pay at the beginning of home ownership for a range of community services which in the past were spread over many years in local rates, and to do so at the very point at which they are already facing maximum financial strain. State and local governments have a real responsibility to examine their policies in these respects where they add to the ultimate cost of housing.

I have also mentioned on previous occasions the large - and apparently increasing - proportion of building society funds that are lent for purposes other than owner-occupied housing, involving lending approvals of over \$150 million in 1981, in fact. While I am aware that much of that lending for "other purposes" is itself important to the housing industry, including for builder finance, and may help in a small way to keep down interest rates paid by home buyers, even an extra \$10 million released for owner-occupied housing would generate over 300 average-sized housing loans each year, and again a review of this area by state governments would seem to be justified. The housing industry itself might also make a contribution, for one thing perhaps by considering whether its own practices and produced are enabling adequate housing to be produced at affordable prices. But ultimately the biggest contribution the industry can make is to ensure that the houses do get built.

The challenge of housing Australia's families, of ensuring that our children will have somewhere they want to live, is a great challenge indeed. The Commonwealth Government's commitment to assist in meeting that challenge has been demonstrated again and again, and has recently been reaffirmed in the most practical way possible. It is now up to the housing industry to grasp the new opportunities, the new deal it has been given, and to provide the places for our children to live. I hope your discussions over the next few days will contribute significantly to your ability to do so.