



PRIME MINISTER

SPEECH BY THE PRIME MINISTER
HOUSING INDUSTRY CONVENTION - ADELAIDE - 14 APRIL 1984

Thank you for inviting me to address you today, and thank you particularly for the welcome conveyed just now by your National President.

It is a pleasure to address the Housing Industry Association at its Nineteenth National Convention. We have seen much of each other in the past year, a year which has been a very exciting one for the Government and for the housing industry.

Although, as Mr Graham points out, we have not always agreed with each other on every issue, I can say that we have come to respect deeply the expertise and experience of the Housing Industry Association's executive and are very grateful for their important contribution to the development of the Government housing policies over the past year.

Mr Graham has just mentioned that we have always been available to speak with the Housing Industry Association in the past. Let me assure you that the Government will always be available for consultation in the future too.

We have been in Government now for just over a year. It is timely to stand back and recognise just what has been achieved. In particular, given the high priority the Government places upon housing, and given the parlous state of the industry when we were elected, the Government is particularly proud of what has been achieved in the housing area.

The high priority the Labor Government has placed upon housing has reflected our strong philosophic commitment to the right of all Australians to decent, affordable accommodation. Stability in both the home building industry and in the supply of reasonably priced housing finance are key aims of our policy approach.

The Government believes its obligations to Australian families extend beyond providing a favourable environment in which most are able to arrange their own accommodation. There are significant groups in the community who are at a disadvantage when it comes to buying their own homes, or even affording market prices for rented accommodation.

For example, young couples are usually among the lowest income earners and least wealthy in the community and face an enormous hurdle in buying their first home.

Owning a home is usually so important to promoting attitudes of confidence in the future, enabling young couples to establish their positions in the community and plan their families. Successive Australian Governments have recognised an obligation to assist this group, and have implemented various schemes to assist first home buyers over the years.

Further, the Government believes it has an obligation to assist other disadvantaged groups in the community - such as the unemployed, the elderly, the sick, deserted wives, supporting mothers - with their accommodation needs.

Accordingly for many years, Commonwealth and State Governments have co-operated in an endeavour to assist these groups through the Commonwealth State Housing Agreement. This Government looks forward to the day when all Australians, no matter what their circumstances, are decently housed. Homelessness, fear of eviction and inadequate housing have no place in our vision of Australia's future.

The Government has worked determinedly to promote its housing objectives in the past year. But no Government ever achieves anything on its own. It is always dependent upon the co-operation and goodwill of many others in the community.

One of the best examples of how the consultative process has shaped our policies is the development of the First Home Owners Scheme. Mr Graham has just recalled how this was the outcome of a meeting between the Government and the Housing Industry Association at the National Economic Summit Conference in April last year. And everyone acknowledges the important contribution this Scheme has made to the recovery now underway in the private home building industry and to the turnaround in the economy more generally.

That such a successful scheme was the outcome of the Summit Conference is, of course, testament to the value of that experiment in the formulation of important national policies and priorities.

On present estimates some \$147 million will be allocated to the new scheme this financial year, assisting some 70,000 first home buyers.

The First Home Owners Scheme has been an important plank in the Government's overall effort to get things moving in the Housing Industry.

You will recall that after consultation with the industry, my Minister for Housing and Construction, Chris Hurford, announced in April 1983 that the Government had set itself as an objective that it should secure a massive increase in the number of housing commencements from the trough level of 105,000 in 1982-83 to an annual rate of 130,000 to 135,000 by the second half of 1983-84.

This objective represented a statement of the Government's confidence in, and commitment to, the home building industry. It is an important benchmark against which we were prepared to judge the success of our policies. And, I am glad to say, the indications are that our objective will easily be achieved.

Further, the Government has moved to give effect to its commitment to assisting needy groups within the community to obtain decent accommodation in the 1983-84 Budget. We provided a massive 50 per cent increase in funding under the Commonwealth State Housing Agreement. This arrangement is presently under review, and we have every intention of preserving its integrity as an effective instrument of a truly needs-based housing policy which is attuned to the requirements of Australia today.

More generally, the Government has recognised the importance of sound and stable macro-economic policies in promoting a healthy and vigorous housing industry. The private sector accounts for by far the lion's share of housing activity in this country. This sector, quite properly, looks to the Government to conduct its macro economic policies in such a way as to engender confidence in the future prospects of the industry.

There are two macro-economic forces which will particularly impact adversely on activity in the housing industry: a high and variable rate of inflation, and a level of public demand for real resources so high that it constrains private activity.

The last thing this Government wants is to allow either of these forces to damage either the housing recovery or the economy more generally. The centrepiece of our macro-economic policies - the Prices and Incomes Accord - is specifically designed to keep inflation in check by seeking agreement from trade unions to contain wage demands to no more than past price increases. A matching commitment to restrain non-wage incomes was given by key employers and professional groups at the time of the Economic Summit and in subsequent correspondence.

Progress on the inflation front has been remarkably swift, and the rate of inflation is now significantly lower than when we took office a year ago. We would like to see it lower still. Indeed, the CPI is likely to have recorded hardly any movement at all in the March quarter, which - given indexation - bodes well for our prospects of retaining those hard-won gains against inflation.

On the issue of public sector competition for real resources, I note Mr Graham's call for more expenditure restraint by the Commonwealth and a lower budget deficit in 1984-85. The massive budget deficit this financial year was part of our inheritance when we took office.

The Treasurer - Paul Keating - and I have repeatedly committed the Government to exercising expenditure restraint and reducing the budget deficit in 1984-85. You can again be assured that we are making every effort to find ways of achieving sensible reductions in Commonwealth expenditures and reducing the deficit in the next budget.

I say sensible reductions because there is hardly any point in cutting expenditure back so far that domestic demand is contracted so sharply that unemployment begins to rise again. However, it must be recognised that it is not only the Commonwealth which draws resources away from the private sector.

Particularly with building resources, it is the State sector too that must exercise restraint in 1984-85. We will be emphasising this point to our State Government colleagues in the upcoming Premiers' Conference - Loan Council round.

High rates of inflation and high levels of public sector spending can both produce upward pressures on interest rates, which also harm the housing industry, particularly because they adversely affect both the cost and the availability of home finance. Needless to say, the success of the Government's housing policies requires an adequate and stable flow of finance to the specialist home loan institutions - savings banks and permanent building societies.

1983-84 has been an easy year for home finance - with finance usually readily available and at lower interest rates than a year or so ago. However, this may not always be the case, especially as the economic recovery begins to be reflected in other industries.

Last year, the Government commissioned the Martin Group to report on the Australian financial system. The terms of reference of that inquiry included the Government's commitment to ensuring adequate finance for housing. The savings banks are central to that and, as you know, it was announced last Tuesday that the Government would phase out remaining size and maturity controls on savings banks' deposits. This is a first step, if a small one.

Other issues raised by the Martin Group - including that of the deregulation of home loan interest rates - are of great importance and decisions on them will not be rushed. The Government is hoping to have further public debate on the issues involved and - in the true spirit of consultation which is our hallmark - we would welcome your views.

So much for policy issues. Let me now turn to the "good news" of what has been happening recently. It is no exaggeration to say that there has been a spectacular recovery in the housing industry.

This recovery is confirmed by every recent economic indicator on housing: these include the December quarter national accounts estimates on capital expenditure on dwellings, monthly figures on home finance approvals, data on building approvals granted by local government, estimates on dwelling commencements; the list goes on.

Some selected examples of what the figures are showing: the latest national accounts show a seasonally-adjusted real increase in investment in dwellings of 7 per cent in the December quarter 1983, following a 7 per cent increase in the September quarter. What a contrast to twelve months ago - the bottom of the recession - when investment in dwellings had fallen some 36 per cent below its previous peak level in December 1981.

The same trend is also apparent in the home loan figures - for example, savings banks provided finance for nearly 11 per cent more dwellings in the December quarter 1983, which was itself up some 10 per cent on the June quarter. Again, these trends are in sharp contrast to the home lending figures a year ago.

Further, the figures indicate that the recovery is spread right across Australia, and is strongest in States where the recession hit hardest.

They also suggest that the recovery has been particularly marked since the introduction of the First Home Owners Scheme last October.

What about the future? A fortnight ago, a report released by the Indicative Planning Council on the housing industry forecast some 135,000 dwelling commencements in 1983-84 - the same figure just mentioned by Mr Graham.

This represents no less than 29 per cent growth over the level of 1982-83. Since this full-year figure represents fairly steep growth through the year, there can be no doubt that the annual rate in the second half year will easily exceed our target range of 130,000 to 135,000 commencements.

The Government's earlier confidence that the housing industry would pull off such a dramatic recovery will, in the event, be amply justified.

We cannot, and should not expect a repeat performance of these growth rates next year. The housing industry in 1983-84 has done a magnificent job - some might have said earlier an impossible job. But the circumstances of the recovery have been very favourable: housing finance has been readily available, resources were left considerably under-utilised after the recent recession, the First Home Owners Scheme gave a strong one-off fillip to demand last year.

The task before us now is to sustain what has already been achieved, to prevent the "bubble from bursting". On this matter, the IPC's forecasts give us all reason for encouragement - they indicate dwelling commencements reaching a "plateau" of some 145,000 in 1984-85.

But we cannot take this for granted. If we are to sustain next year what we have all worked so hard to achieve this year, we must continue what we began last year.

There must be an ongoing process of consultation and discussion between all parties involved in the housing industry. Only if we continue to work together can we expect to consolidate these achievements.

Judging by the relationship we have already established together, and by Mr Graham's very positive remarks in his opening address, I am personally very confident of a bright outlook for the housing industry in 1984-85.

Before moving on to open this convention formally I should say a few words about the vexed question of the operation of the prescribed payments system - or "withholding tax" as it is more commonly known.

We know the industry has problems with this tax and has made several representations to the Government expressing its concerns. It is not the style of this Government to ignore genuine and constructive criticisms of any of its policies.

On the matter of this tax, we have already moderated its impact by relaxing the exemption conditions following representations from the industry. This has resulted in the issue of some 29,000 exemptions and 99,000 variations by 3 March this year.

As a result, the tax has not produced the revenue originally expected. However, we recognise that the industry still has considerable difficulty with the tax and, as Mr Graham has already mentioned, the Government will be conducting a review of the system. Naturally, we will be keen for close consultation with the industry during the conduct of the review.

Mr President, just before I officially open your Convention, I have another pleasant task to perform. Peers in the industry consider that you have done an excellent job as President of the Association and that you have rendered distinguished service to the industry at large. They have elected you to the office of life Member and it gives me a great deal of pleasure, John, to be able to present you with your Life Membership Certificate. Congratulations!

Ladies and Gentlemen, I know that whatever task the Association takes on, it does so with vigour, determination and considerable professionalism. I have the first copy of your new National Journal - "Housing Australia" and I'm sure it will be still going strong many years from now. It is my pleasure to launch the Journal.

I have also had an opportunity to look through your conference program. I was delighted to see that my old friend and son of South Australia - Darcy Hoysted - will be giving the luncheon address on Monday. Darcy has given me good advice and help regarding renovations to my home in Melbourne and I hope to be able to call on him when renovations are undertaken at The Lodge.

In the meantime I have much pleasure in declaring this Convention open.
