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PRIME MINISTER

TRANSCRIPT OF NEWS CONFERENCE, PARLIAMENT HOUSE, 3 MARCH 1989

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PM: I understand you would like me to make a brief statement about the housing thing and then any questions you'd like to put to me. The purpose of the conference I've already outlined and essentially the simple fact is that you can't put more people into housing if you haven't got more houses and the constraint on that situation is obviously on the supply side, particularly in regard to land. And it's because of the shortage of land that we've had the basic increase in prices. Let me point out to you that during 1988 if we look at the situation Australia wide there is a 35% increase in median house prices, 35%. In that period interest rates increased by about 7%. That is ... interest rates for housing of around 14%, at the end of the year around 15%. In other words a 7% increase in interest rates which was about in line with average weekly earnings but the average price of houses went up by about 35%. In other words you've got a situation where supply has simply not been able to keep up with the underlying demand and that's been reflected in the increase in prices. And so it's in that situation that on behalf of the Commonwealth today I and my Ministers will be putting forward a number of significant initiatives at this conference dealing with what therefore is the essence of the problem.

We will be announcing a major program of Commonwealth land sales for housing development. We will announce around 27,000 blocks over the next five years and as you heard me say yesterday in the Parliament that's equivalent to about 15 new suburbs and we'll make available about another 40,000 blocks over the following five to ten years and Minister Stewart West will be releasing details of the blocks today.

We are also going to be announcing a program of measures directed really at four associated issues. That is land supply is one, building regulations, land regulations, and local government approval processes. We'll be seeking cooperation from the States in implementing and funding of that package. As far as we're concerned we'll be proposing to put about \$8.8M over the next three years in regard to these programs and we'll be seeking in respect of some of those matching funding from the States.

In those areas that I've mentioned, those four areas, that is of land supply, building regulations, land regulations and local government approval processes, five measures are involved in what we'll be putting up.

Firstly, a three year program of work to redress inadequacies in the availability of data on land supply and the composition of demand to be undertaken by the Indicative Planning Council for the housing industry.

Secondly, a joint program under which financial and technical assistance will be provided over the next three years to local government to review technical residential land development regulations.

Thirdly, a program to promote demonstration studies, cooperation, research and information, dissemination designed to stimulate improvement in the administrative aspects of approval processes at the local government level.

Fourthly, the setting up of an expert task force to examine the scope for significant reforms of technical regulation of building codes and standards. It is hoped to involve local government, the design profession, as well as the building industry itself.

And fifthly, resources will be devoted to create the capacity for the analysis and the development of policy in relation to housing supply within the Department of Industry, Technology and Commerce.

They are the five specific measures which will be involved in this provision of some almost \$9M by us over the next three years. You can see each of those measures are directed towards the supply side constraint that I have identified as the major source of the problem.

In addition the Commonwealth recently increased its contribution to the joint venture for more affordable housing and I found it particularly interesting this last couple of weeks as we've been preparing for this conference to find out - particularly as we had that meeting last week with various representatives of the industry and local government - just how universally respected has been this joint venture for more affordable housing. ... have been quite clearly effected in demonstrating a wider range of housing choices and the use of more innovative building and land development techniques.

Now the other area of course in talking about the supply side constraints is the supply of skilled labour and that as I say is another significant constraint. Accordingly the Commonwealth concluded arrangements with the NSW division of the Housing Industry Association on 30 January which provided for immigration of a maximum of 225 workers in the

(PM cont): building trades in the period to 30 June 1990 in return for an increased apprenticeship training commitment. Further consultation between the Government and industry groups including the Housing Industry Association, the ACTU and the building unions with a view to developing a national arrangement. The building and construction industry took place in February of this year and we hope to explore the potential for these sorts of initiatives today at the conference.

Now I conclude by making the obvious point that the major responsibility for the supply side matters, which is at the core of the problem, lies with the State and local government. The rate of release of tracts of land, the system of zoning and development control is also largely developed and determined by State and local government. So we will be seeking from the States a firm indication of measures that they are prepared to take regarding both land release and land use. I conclude those observations by making this point. I understand that you know we live in a rough and tough political world. I'm not upset by the fact that in the period leading up to this conference today with the Premiers that there has been some political point scoring that's being carried on in some quarters, that's I suppose par for the course. But I want to make the point that as far as the Commonwealth is concerned we are very serious about this issue - as I think has been proven by the work we've put into it - we are making very, very concrete, relevant, specific proposals which at our level of government will help with this problem and I certainly hope that we will receive - and I expect to receive from my State colleagues - an equally constructive approach.

JOURNALIST: If the States don't give guarantees on building regulations, land regulations, and what the Government approvals, will the Commonwealth be prepared to offer parcels of land to private enterprise?

PM: We want as a first step to make the land available certainly the large tracts that we've been talking about, we want to make them available to the States but we will be making it clear that we don't want them then just to sit on it. We have the situation, for instance, in Victoria where there's some parcels of land that we made available two years or so ago which is still not developed. So we will be saying that we want a fast track development of land that we make available. If we can't get satisfactory undertakings on that well then you would obviously be thinking about making it immediately available in the other way.

JOURNALIST: Prime Minister, is there any way today that you would agree to discuss the problem of high interest rates, perhaps tax concessions for savings, that sort of question?

PM: Well let me put it this way. We've got our items on the agenda, then item five I think is other business. Now I don't want to be silly about this, but I don't think anyone can argue, I mean you look at the statistics I have given you, the 35 percent increase in housing prices and seven percent increase in interest rates. No-one argues that the essential core of the problem is on the supply side and in terms of what we can do together as Commonwealth and State Governments, that's the area that the emphasis must be on, it's where we can have a constructive input to help in co-operation with the States. So we want those things discussed. Now if under the other item they want to go to some of these other matters, well obviously we're going to listen to what they have got to say. But we should get our priorities right.

JOURNALIST: Prime Minister the flip side, if you like, of the increase in ... value of houses, is that the State Governments have received enormous windfall profits by virtue of stamp duty and so on. Do you think they've been remiss in not turning that over into land releases or land supply and servicing?

PM: Well I don't just necessarily relate the two. I mean, in a sense, your question implies that this had almost been a hypothecation by them, because they got it out of that source it would have been sensible to then relate for the increase in income to those processes. Well they would argue that they have other demands upon their increased resources. They would probably argue too that we have asked them to exercise restraint in general public fiscal policy, as we have. We've cut back on their resources to some extent, not as far as we have cut back on our own, but I think it is the case that they have done well out of the boom. But I would hope that they take the view that their citizens would do very much better overall in a situation where prices weren't booming like that. Obviously if you take the overall view there is no benefit to the citizens of their States, the citizens of Australia in allowing a situation to continue which 35 percent increases in housing prices, on the basis well we get something on the go-by in stamp duty. I don't think that will be their attitude.

JOURNALIST: Mr Hawke, is there a case for reviewing immigration because of the effect on housing demand?

PM: That's a good question. There is no doubt that the level of immigration which is running in the order of 140,000, there's no doubt no-one can honestly and sensibly argue that that doesn't impose additional strains on the demand side. Obviously it does. It would be easy to say, alright well cut out immigration and that will reduce demand, but in governing this country you don't, in my

(PM cont): judgement at least, think merely of pressures and forces of today. We're a country now of just over 16.5 million people in a world, I'd remind you, which is rapidly approaching six billion. Now it's my judgement that if we're trying to think about the future of this country we really do need to be understanding that I think there's some sort of, I don't know whether you'd call it a critical mass, but I think we've got to be thinking in terms as we go into the next century, in terms of 20 million. I don't think we're going to be able to sensibly and most beneficially develop all our resources in the absence of a significant increase in our population. I remind you that if you look over the last four years the rate of natural increase has averaged about .8 percent, now less than 1 percent in natural increase. That's very low and therefore we are very reliant, in terms of increasing our population, upon immigration. I recognise that there are legitimate arguments in this area, particularly in the short term. I don't think that good Government is just about being dominated by short term considerations. In the end, when you think about it, in a country of this size, supply of land for housing shouldn't be a problem.

JOURNALIST: Prime Minister, can I clarify that 8.8 million? Is this for joint venture development with the States -

PM: I listed the five measures and to develop those five measures like the three year program to redress inadequacies in the availability of data, joint program under which substantial and technical assistance would be available over the next three years to local government to review its technical residential zoning, it's those sorts of programs, those five programs. Taking those together we'll be prepared to put in about \$8 million, just under \$9 million.

JOURNALIST: Just while we're getting the figures right, 35 percent increase in the home prices, interest rates up seven percent, what period are you talking about there?

PM: 1988. Last year, calendar year '88.

JOURNALIST: Mr Hawke, how long do you think it will take before your proposals, your initiatives today will have an impact on land prices?

PM: Well, the honest answer is I can't say. I mean whether it will take one month, one year. I would hope though that once it is clear that there is going to be this very significant increase in the availability of land as a result of our initiatives and if you take the most optimistic view that we get very positive response from the States in regard to accelerating the processes of land release and zoning, then I think you're into a different climate. The expectations will change, but it would be quite dishonest

(PM cont): for me to say, well look within one month or two months, I can't put a figure on it, but we will have I think changed the culture and turned it around. I repeat the comment I just made. I find it rather frustrating to be in a situation where in a country of this dimension, physically, that the basic problem in this soaring home price situation, is land availability. It doesn't make very much sense.

JOURNALIST: You've been asked a couple of times recently about your comments in Western Australia ... on interest rates, that they wouldn't go up before they came down. Do you think in retrospect that comment was ill-judged or just a mistake or how do you view it?

PM: I don't retract from the basic point I made that before the end of this year it's my belief they will come down. In the situation that we've been faced with since then we have been hit by circumstances which in two respects I think were unexpected and in the inflation area I've simply got to say that on all the advice available to me Michelle I was operating on the assumption of a December quarter price index rise significantly less than the 2.1% that in fact emerged. What came out was 2.1%, the sort of advice that I had and which was operating was an outcome of less than 1.5% in the area of perhaps of 1.25% and that was part of what had formed my thinking. We also had the much worse balance of payments situations than one had hoped for. So all I can say is that my economic intellectual framework within which I was speaking was one which was, in regard to the key indicator of expected inflation outcomes, significantly more optimistic than in fact turned out to be the case.

JOURNALIST: In recent correspondence with Mr Greiner you offered to ... negotiations on a wide agenda of housing issues and ... interest rates ... Can you tell us what form these ... negotiations will take?

PM: It's a matter for Mr Greiner. If he wants to suggest how he'd like to process such discussions ... work it out between us. You can see from what I'm saying ..., I don't take the position that all these other considerations haven't got a relevance, of course they have. But you want to say what's the critically important thing and no-one can argue with the analysis I've put to the critically important thing, that's on the supply side. That's why we're concentrating on that now. We can work out timetables and procedures for discussing any other matters that he wants to. In six years in government I think you'll find the successive state premiers will say to you if they want to have a talk to me I'm always available.

JOURNALIST: Mr Greiner argues though that even though having all this land made available unless there's infrastructure provided and he said ... build that infrastructure. Will the Commonwealth help by providing funds for roads and sewerage and ...?

PM: We work those things out in the Premiers' conference, the Loan Council meeting and the fact is that the States have to make priority decisions in the use of their money. But obviously in the consideration that we give as a Commonwealth in the lead up to the Premiers' conference, the Loan Council meeting, we won't be making decisions which make it impossible for States to discharge the duties they have in providing infrastructure. I don't believe we've done that to this point. We won't start doing it in the future.

JOURNALIST: Will there be any ... though?

PM: Of course today's not about - it's not a Loan Council meeting or a Premiers' conference.

JOURNALIST: ... the Premiers' conference to increase funds to the States for this area?

PM: What happens at the Premiers' conference and the Loan Council meetings is that they plead their cases with very great vigour - not always I might say with hindsight with great accuracy. I always have a bit of a laugh to myself when you come to the end of the States' financial year and I always compare outcomes with what they tell me is going to happen, they are going to finish up with deficits you can't poke a stick at. Somehow or other they seem to manage to finish up in a way very differently to the picture that's presented at the Premiers' conference and Loan Council. I don't complain about that, I suppose that's good bargaining. What we try and do as a Commonwealth is to make the best assessment we can of, from our point of view, what resources need to be applied to enable them to discharge the basic and important function that you referred to. We won't change from that.

JOURNALIST: So it's not necessary, further funds this year?

PM: ... Premiers' conference. We're now in March, the Premiers' conference and Loan Council will be held at the outside within about three months. We're not having -

JOURNALIST: ...

PM: We're not having a special Premiers' conference or Loan Council meeting to do that. We're leading up to that almost now.

JOURNALIST: Do you have a rough figure of how many people might be housed in the 15 new suburbs?

PM: If you say there's 27,000 blocks, just work out your sums. I don't have to do that do I?

PM: On another matter, you've asked your ministers for some possible suggestions to be put into the April statement. How broad would you like that to be and how broad do you think it is possible to make it?

PM: When you say I've asked for possible suggestions I've given much firmer leadership than that. I have myself indicated areas that I think are possible of inclusion and work will be done on those. I don't intend to go to those areas prior to the April statement. I'm conducting this business of the Government in the way it should be. I meet with my ministers, I say here are things we ought to consider for possible inclusion, the work is being done on it. It will be announced in the statement.

JOURNALIST: It's now a quite broad statement is it?

PM: I think Michelle it will be somewhat broader than some people were thinking. A lot of people were thinking it was just going to be an announcement of tax cuts. I think you'll find there'll be more in it than that.

JOURNALIST: Are you worried that this might create false expectation in the community?

PM: No I'm not. If I allowed myself to be worried by the process of government that some people like to have, that is that the press - and this is not said critically - I mean if you run something in the press and then what's in the press is not what we do, if I were worried about that I would've been insane years ago. We don't run government like that. It's unfortunate that you have at times quite unfounded speculation about what's going to be done but we just go about the business of doing what we think is necessary. I don't believe if you look back Heather over the period of the six years that our May statements and budgets have been disappointing in content. I don't think it will be this time.

JOURNALIST: These areas are on the structural side though rather than the spending cut side.

PM: I repeat what I said, I'm not going to announce the April statement now.

JOURNALIST: Are you concerned about the leaks on these issues out of Cabinet, ERC and Structural Adjustment Committee?