

FIRST HOME OWNER GRANT AMENDMENT BILL 2001

Second Reading

Resumed from 26 June.

HON GEORGE CASH (North Metropolitan) [7.55 pm]: The Bill before the House is the First Home Owner Grant Amendment Bill 2001, which is a Bill for an Act to amend the First Home Owner Grant Act 2000. Members will be aware that clause 2 of the Bill provides that the commencement date is taken to have been 9 March 2001, which in effect makes the legislation retrospective. Within the Bill are criteria for eligibility, and in general terms the applicant must enter into a contract for the purchase or construction of a new home between 9 March and 31 March 2001. Proposed new sections 14A and 14B set out in clause 5 refer to the special eligibility transactions. Rather than go through that rather lengthy clause, it is a lot easier to refer to the second reading speech, which states -

To be eligible for the \$14 000 grant, an applicant must enter into a contract for the purchase or construction of a new home, or in the case of an owner builder, commence construction of a new home, between 9 March and 31 December 2001 inclusive. A home will be considered to be a new home if it has not been previously occupied or sold as a residence.

The second reading speech further states -

A substantially renovated home may also be considered to be a new home if it is purchased from a vendor who is liable to pay GST on the sale and the home, in its renovated state, has not been previously sold or occupied as a residence.

Additional criteria also apply to the commencement and completion dates for building contracts, off-the-plan sales and construction by owner builders. These criteria are intended to achieve the Commonwealth's objective of providing a short-term stimulus to the building industry.

That is the shorthand version of what clause 5 means.

I said earlier that this amendment Bill is to amend the original Act, and that original Act came into this House on 4 May 2000. The need for the original Act was born out of a decision to introduce a system of GST into Australia, that is, the goods and services tax that was supported by Paul Keating as federal Treasurer. Members will recall the business summit that was conducted in Parliament House in Canberra more than a decade ago when then Treasurer Paul Keating was very much in favour of a broad-based consumption tax. Members will also recall that he was the same Paul Keating who later repudiated that particular consumption tax for none other than political reasons.

When the Bill was introduced into this House on 4 May of last year the minister handling the Bill at the time, Hon Norman Moore, now the Leader of the Opposition in this House, had the following to say. It is instructive to understand the reasons behind the original Act and, as indicated by the expression on the face of the Leader of the Opposition, instructive to him to understand why he brought this Bill in just 12 months ago. On 4 May 2000 the then Leader of the House said -

The purpose of this Bill is to put in place a scheme to assist eligible first home buyers by providing a \$7 000 grant where they enter into a contract on or after 1 July 2000 to purchase or build their first home. The scheme forms part of the package arising from the Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations, which was signed by the Prime Minister and all Premiers and Chief Ministers in June last year. Under that agreement, the States and Territories committed to assist first home buyers through the funding and administration of a new uniform first home owner scheme to offset the impact of the goods and services tax on house prices. The scheme is restricted to first home buyers because other home buyers should benefit from a GST-induced increase in the selling price of their existing homes.

The framework principles on which the scheme is based were set out in the intergovernmental agreement and, together with the amount of the grant, are consistent across all jurisdictions. However, each State and Territory will implement separate legislation to give effect to the scheme. The impact of the assistance provided by this scheme is expected to be significant.

He continued -

It is also important to recognise that the \$7 000 grant is in addition to, rather than in place of, existing first home buyer assistance currently provided by the State. This includes the Keystart first home buyer scheme; Aboriginal home ownership scheme; Access home loan scheme; GoodStart scheme; and the right-to-buy scheme. The assistance provided by the home buyers assistance fund and current stamp duty concessions for first home owners will also continue unaffected.

This legislation will have a significant and ongoing impact in ensuring that home affordability for first home owners buyers is maintained at existing levels for the people of Western Australia.

They were some of the comments made by the then minister when he introduced the original Act into this House last year.

Having learnt what the original Act was all about, the next question to ask is, did it work; did the proposals that were put forward in May 2000 come to fruition and satisfy the then objectives of both the Commonwealth and State Governments? Members will be aware that the goods and services tax was introduced and came into effect on 1 July 2000. I support the concept of a GST - that is, a broad-based consumption tax - but I must acknowledge that the administrative procedures surrounding the GST have been less than perfect. As a result of the less than perfect situation, the federal Government has made various amendments to the administration of the Act and the requirements that taxpayers must go through in compliance with the taxation. In answer to whether the home owner scheme worked when related to the GST, it is fair to say that there have been unintended consequences. Some people would say that those unintended consequences caused considerable difficulty in the business community. I recognise that. I certainly raised the issue with my federal colleagues. It is fair to say that some of the predictions made in respect of the effects of the GST were underestimated in some cases and overestimated in others. To sum up, unintended consequences flowed and there was collateral damage.

In respect of the effect of the GST from when it applied on 1 July 2000 through the year 2000, members will recall that one of the premises on which the original Act was introduced was that it was to give a boost to the building industry. It is interesting to track building operations during the year 2000. From 1 July 2000 to the end of October 2000, which is only four months, a number of economic analysts were saying - one in particular was BIS Shrapnel Pty Ltd on 31 October 2000 - that the forecast that new housing starts would fall by as much as one-third over the next year was in fact a reality. They thought that new house starts would fall to under 118 000 over the next 12 months as a result of the pull-forward effect of the introduction of the GST. When I say "pull-forward effect", members will be aware that the GST was imposed on building materials generally. The building industry made great play of the fact that there would be significant increases in the cost of housing after the GST had been introduced on 1 July 2000. That in part is obviously the reason that the federal Government initiated the original \$7 000 grant. What the pull-forward effect did in real terms was to generate a mini housing boom prior to 1 July 2000. Many people signed up for new homes in the belief that they were beating the price rises that had been signalled to occur on 1 July 2000. The bad news was that so many people were trying to sign up for new homes prior to July 2000 that the market took off and builders were almost able to ask any price for the construction of new homes. The price of new homes rose significantly. That in part was related to the fact that in the months prior to July 2000 it was difficult to get contractors to build homes. People were battling to get brickies, plasterers and other contractors associated with the building industry.

Hon Derrick Tomlinson: You could get a brickie for \$1 000 a thousand bricks.

Hon GEORGE CASH: That was one of the problems. Hon Derrick Tomlinson makes the point that the prices contractors were charging increased very significantly as a result of the boom.

It is important that when we talk about the building industry we recognise that it has very much a cyclical economic situation which follows a boom and bust pattern. In all the years in which I have taken an interest in the building industry, no-one has been able to even out the boom-bust cycle. The building industry had a significant boom immediately prior to July 2000. As a result of the pull-forward effect, immediately after July 2000 building companies were required to complete the jobs that they had signed up for prior to July 2000 but very few new homes were being sold.

I have already mentioned what BIS Shrapnel said at the end of October 2000. By the end of November 2000 the Housing Industry Association reported that new home building approvals for September in Western Australia were down 39 per cent in comparison to the previous year, with national figures down 38 per cent for September 2000. Those are very significant figures when talking about a downturn in the building industry. They represent a drop of one-third for September 2000. However, worse than that, the Housing Industry Association in November 2000 was also predicting that the market had not bottomed and that the decrease in new housing starts would lead to more unemployment in the building industry and a decrease overall in government revenue as a result of the slow down in start-ups.

The Master Builders Association of WA was also raising various issues in November 2000. It was saying that the market was subdued and that the September downturn in approvals was a one-off factor due to the GST, although my observations at the time were that interest rate uncertainty and the effects of the Olympic Games, certainly in the eastern States, were also contributing factors to the downturn in the industry.

The Real Estate Institute of Western Australia was also raising concerns in November 2000. It claimed that the new homes sector was still feeling the after effects of the pre-GST building boom; that is, the pull-forward effect

to which I referred earlier. REIWA said that the building slump in 2000 was at comparable levels to the previous low points in 1991 and 1996. The building industry had a fairly unattractive outlook in late October and November 2000.

The Housing Industry Association at a housing industry summit in November 2000 was getting pretty desperate. It proposed that the \$7 000 first home owner grant be increased to \$15 000 to try to give the building industry a boost. More than that, HIA also suggested at the time that first home builders should be able to have access to their superannuation funds if the funds were used for building or buying a new home. HIA at that time also suggested that its plan - that is, the increase from \$7 000 to \$15 000 for the first home owner grant - would save 3 300 jobs in Western Australia and 25 000 jobs across Australia.

The then State Government listened to the views of the building industry - the Master Builders Association of WA, the Housing Industry Association, the Real Estate Institute of WA and others associated with the building industry - and in November 2000 it pledged its support to the Housing Industry Association's proposal that the first home owner grant be increased from \$7 000 to \$15 000. The then Minister for Housing, Hon Kim Hames, told Parliament that he had written to the federal Treasurer, Mr Costello, in support of the increase in first home owner grant.

It is fair to say that, as result of the agitation by the building industry and the support of the then State Government, the federal Government was obliged to pay attention to what was occurring in Western Australia and the building industry throughout Australia. On 9 March 2001, the Prime Minister announced that the federal Government intended to increase the first home owner grant from \$7 000 to \$14 000 for people who met the criteria that I outlined earlier. The Bill before the House gives effect to the federal Government's intention to increase that amount. The grant will be funded by the federal Government but administered by the State Governments. Predictions of the likely take-up rate for the new grant are that, for the fiscal year 2000-01, \$7.3 million will be required to service the increased grant. For the fiscal year 2001-02, \$12.4 million will be paid to approximately 2 800 purchasers of new homes under these new arrangements.

The new \$14 000 first home owner grant will apply for a limited period and will terminate on 31 December 2001. The grant will then revert to the earlier amount of \$7 000. As 31 December 2001 approaches, the question that needs to be asked is whether there will be the same pull-forward effect when a mini boom is created, only to see a marked downturn in the industry in the first few months of 2002. I spoke earlier of boom-bust cycles. It is, regrettably, the nature of the building industry. The cut-off date will have a pull-forward effect, but not as strong as when the goods and services tax was introduced on 1 July 2000. The effect of the grant being reduced by \$7 000 will be sufficient to see a pull-forward effect on sales that would normally have occurred in 2002.

Hon N.D. Griffiths: That is the problem of interfering with the market.

Hon GEORGE CASH: That is one of the issues that needs to be considered about government intervention in the building industry.

Hon N.D. Griffiths: Or any industry.

Hon GEORGE CASH: That is quite right, although it has a more immediate and marked effect in the building industry. The industry is very sensitive. The building industry kick-starts very quickly, but there is always a rapid drop off when the incentive is removed. The minister raises a point on which we both agree. During late 2000, the entire home building industry across Australia was crying out for help. If the Commonwealth Government is prepared to inject some special funding by way of a grant similar to this, the Commonwealth Government will not lose much. Greater revenue through taxation is generated as result of the increased activity in the building industry. State Governments will receive more money through stamp duties. It will also save the payment of unemployment benefits to workers in an industry that is very sensitive to grant schemes. The situation is not all a loss for the Commonwealth Government.

Australian Bureau of Statistics figures show a 0.4 per cent rise in housing approvals in April 2001. The Prime Minister made a public announcement that the new scheme would come into effect on 9 March 2001. The April 2001 figure was followed by a 10 per cent increase one month later. That indicates the sensitivity of the building industry. On an annualised basis, housing finance is increasing at the rate of 14 per cent per annum. Recent ABS figures indicate that home building approvals in May rose by more than 25 per cent across Australia and 33.2 per cent in Western Australia. That represents the biggest monthly increase for the industry for many years. There were 1 598 home building approvals in May compared with 1 303 in April and 1 810 in May 2000. The figures show that there was a boom from prior to July 2000 to a bust prior to December 2000 and back to a relative boom now.

The ABS figures are very interesting. They indicate that the number of dwelling units approved during March 2001 in New South Wales increased by 1.7 per cent, for April 2001 it was -0.4 per cent, and for May 2001 it was 38.8 per cent. For Victoria the figures are 6.5 per cent for March 2001, for April 2001 it was -27.1 per cent and by May 2001 there was a complete turnaround and the approval rate increased by 48.2 per cent. In South Australia the figures are 35.4 per cent for March 2001, 18.9 per cent for April 2001 and 37.7 per cent for May 2001. In Western Australia the figures are 17.6 per cent for March 2001, 10.1 per cent for April 2001 and 32.3 per cent for May 2001. From those figures it can be seen that Western Australia fared better than the other States in April and was doing fairly well in May.

On Thursday, 12 July 2001, a significant banner headline in *The West Australian* read, "Home Boom. Building industry set to kick-start WA economy". That was a remarkable turnaround because only a few months earlier everyone predicted doom and gloom in the industry. However, as a result of the increase in the first home owner grant from \$7 000 to \$14 000, by July 2001, commentators in *The West Australian* had said that the Western Australian building industry was set for a boom that could flow through to the State's economy. The article states -

Figures released yesterday showed that WA home loan approvals surged in May to a level just below November 1999's pre-GST building scramble peak.

The President of the Real Estate Institute of WA, Graham Joyce, is quoted as saying that the surge was concentrated among first home buyers. The article further stated that the skyrocketing numbers of new home loans meant that we could expect the recent high rate of building approvals to continue.

Clearly everyone wanted to get in on the act because many people are quoted in that article saying that the building industry was moving forward at a rapid rate. Apart from the fact that we now appear to be in the midst of a building boom for home buyers, it is interesting that the agreement by the federal Government to increase the first home owner grant from \$7 000 to \$14 000 has not gone unnoticed by the industry. I should have raised that matter when I talked about the comments made by the industry generally in October, November and December. The building industry believes that the \$14 000 grant should be extended past 31 December this year.

Hon N.D. Griffiths: Is the member aware that I made that suggestion in late March?

Hon GEORGE CASH: I was not aware of that. Although I searched the Parliamentary Library high and low, I was not able to find a reference directly attributable to the Minister for Racing and Gaming.

Hon N.D. Griffiths: I regret that the library failed to keep a comment that was reported in *The Australian* newspaper.

Hon GEORGE CASH: I was unable to find that, but I take the member's point. We on this side of the House also believe that the \$14 000 first home owner grant should be extended for some time. As the Minister for Racing and Gaming and I have recognised, the problem is that when the grant is eventually withdrawn, there will be a downturn in the industry.

Hon N.D. Griffiths: I called for it in April and the reason for that was the delay on the part of the federal Treasurer in putting the guidelines in place.

Hon GEORGE CASH: I accept what the minister says, and the industry says the same thing. The Opposition, the Government and the industry are united in requesting that the federal Government extend the \$14 000 first home owner grant beyond 31 December 2001.

I always shudder when talking about temporary assistance to any industry, or temporary anything for that matter. Some 20 years ago offices at Parliament House were said to be temporary; for example, the building on the hill known as the "summer palace". It burnt down prior to the last state election and I thought that we would be rid of it. However, the then Leader of the Opposition wanted it rebuilt because it had been provided to him for accommodation. Not only was that a "temporary" building for 20 years, which then burnt down recently, but also regrettably it has been rebuilt and no doubt it will be a temporary building for another 20 years

Hon Derrick Tomlinson: It was burnt down only temporarily.

Hon GEORGE CASH: There may be some logic to Hon Derrick Tomlinson's argument. I did not recognise that it was missing for only a short time; however, it remains as a temporary building. It reminds me of a local kindergarten. A long time ago I was the president of a kindergarten -

Hon N.D. Griffiths: I thought you were the president of the kindergarten last year! I should not have said that.

Hon GEORGE CASH: I would not reflect on members the way the minister does. About 25 years ago I was the president of a local kindergarten. At the time, it was housed in a temporary building that had been there for 25 years. I drive past it on a regular basis and it is still a temporary building 50 years after it was established.

Hon E.R.J. Dermer: Is it possible to have a temporary venerable institution?

Hon GEORGE CASH: Possibly. Although I am in favour of this grant, and the Opposition strongly supports the federal Government's decision to increase the first home owner grant from \$7 000 to \$14 000, I recognise that the tap cannot be turned on and off for the building industry. The grant has a significant impact on the whole economy. Whether or not we like it, we must recognise that.

Last week, my colleague, Hon Barry House, spoke at length on the effects of the HIH Insurance collapse in Western Australia. Although the Government introduced legislation earlier this year to impose a levy to assist in the area of workers compensation, the collapse of that company has caused significant ramifications throughout the home building industry in Western Australia. The problem we now face is not that builders have difficulty selling new homes - indeed, they have very little difficulty in marketing their product - but that they cannot get home indemnity insurance so that they are able to commence construction of dwellings. Members would be aware that builders are not able to commence construction until they have adequate home indemnity insurance. They can have all the plans in the world that have been approved by local authorities; however, until a certificate for home indemnity insurance can be produced, the builder is not able to commence construction.

The builders I have spoken to recently have advised me that only three home indemnity insurance schemes are available in Western Australia. One is Home Owners Warranty scheme, another is a scheme run by the Dexta Corporation Pty Ltd and the third scheme is run by Reward Insurance. This afternoon during question time, the Minister for Racing and Gaming representing the Minister for Consumer and Employment Protection seemed to suggest that there may be more than three operators offering home indemnity insurance in Western Australia.

Hon N.D. Griffiths: My understanding of the answer provided was that the Minister for Consumer and Employment Protection had played an important role in introducing two new insurers. I stand to be corrected, but I think HIH Insurance went out of insurance and we now have three operators.

Hon GEORGE CASH: I raised the matter because I am not sure whether there are only three. That would explain the minister's answer this afternoon. The problem we face at the moment is the time that is being taken to process the builders' applications so they can get home indemnity insurance. This is taking an inordinate amount of time and causing considerable frustration in the industry. In a business sense that frustration will turn into bankruptcies in the building industry if we are not able to get on top of this problem.

This State is in an interesting situation: it has a housing boom in the home building market, but it has builders who cannot commence construction, notwithstanding that the plans and specifications have been passed by local authorities, because they cannot access home indemnity insurance at this stage of the game.

Hon N.D. Griffiths: I note your concerns. I also note the answer I gave.

Hon GEORGE CASH: Yes. One builder has indicated to me that the premium that he was required to pay for a \$100 000 home had increased from \$269 to \$860. That is a massive increase.

Hon N.D. Griffiths: Was he previously insured with HIH Insurance Ltd?

Hon GEORGE CASH: HIH was one of the companies that owned a subsidiary with which he was insured -

Hon N.D. Griffiths: One of the problems with that insurance company was that it was not charging an appropriate price.

Hon GEORGE CASH: That may be the case with regard to HIH, but my understanding is that the companies that are providing housing indemnity insurance in Western Australia have lifted their premiums significantly. Hon Barry House said that premiums have gone up by 300 per cent, and I am not surprised to hear that. It has been indicated to me that the increase is in excess of 200 per cent. Builders have also raised the point that the prudential requirements have been increased significantly; in one case, bank guarantees and bonds have increased by 200 per cent; and in another case, a bank guarantee that had been lodged previously with one of the companies that offered home indemnity insurance had been increased from \$50 000 to \$150 000. That is a lot of money to require a small business to set aside as a guarantee or bond with its insurance company. A comment was also made that a survey in June indicated that 757 building licences were awaiting collection at shire offices because housing indemnity insurance certificates had not been provided. The value of those building contracts in shires around the Perth metropolitan area was in excess of \$104 million. It has been said about housing indemnity insurance - this is a point that Hon Barry House made last week in this Parliament - that three international insurance companies are dictating who can trade as a builder in Australia and at what level they can trade. Those companies are in a position to prevent builders from expanding their businesses. The builders to

whom I have spoken recently have made it clear that when they had asked for cover of about \$250 000, they had been offered about \$150 000. No builder is getting the cover that was available previously.

Hon N.D. Griffiths: Those observations are interesting, and that sort of scenario is not unique to the building industry. Legal practitioners must also take out compulsory professional indemnity insurance; and, in the end, it may be the insurance company, rather than the Legal Practice Board, that determines whether a practitioner can practise, because a practitioner who cannot get insurance cannot practise. That is the result of public policy over the years.

Hon GEORGE CASH: I understand where the minister is coming from, and in my view it is disappointing that international insurance companies are determining who can practise law in Western Australia.

Hon N.D. Griffiths: Or who can build a house. I wonder what the answer is.

Hon GEORGE CASH: I can only put to the minister the facts as they are presented to me. The reason I have put those facts to the minister is that some people in the building industry have said to me - I know they have said the same to Hon Barry House - that they do not believe the Government fully understands the predicament of the building industry, in particular the home building industry, at this stage of the game. Some builders are putting the argument that there may be a conflict between the observations of the Master Builders Association and the Housing Industry Association on the state of the industry.

Hon N.D. Griffiths: I understand that there are different views.

Hon GEORGE CASH: So long as the Government recognises that not all is rosy within the building industry. We can quote figures all night long to show that there has been an increase in building approvals; however, the building industry in Western Australia has a significant problem in obtaining housing indemnity insurance. People within the building industry have said that in June, Dexta Corporation Ltd, one of the new underwriters, had more than 12 000 applications to process. That company has trebled its staff, and those staff are working in shifts. However, it can still process only 300 applications a week. That means some builders will need to wait for up to 40 weeks to have their applications processed. This is pretty disappointing for the builders who have staff waiting to get onto a job, and for the consumers who have entered into housing contracts in the belief that their homes will be constructed within a reasonably short time.

Members of this House are entitled to say that I have repeated myself a number of times on the question of housing indemnity insurance. However, I want everyone in this Parliament to understand that this is a significant problem for the building industry. The minister indicated in his answer to my question without notice today that the Minister for Consumer and Employment Protection had reopened the statutory review on the home indemnity insurance scheme and had established a forum comprising key building and insurance industry players to look at all the short and long-term options for the home indemnity insurance area. The minister said also that the forum will report to the Minister for Consumer and Employment Protection by the end of August. People in the industry have said to me that that is too long, because the minister had met with members of the building industry in June and had promised that action would be taken and that he would examine the current home indemnity insurance schemes.

The Opposition is happy to support this Bill, which will increase the first home owner grant from \$7 000 to \$14 000. However, in addition to supporting the Bill, the message that I want to get through to the Parliament is that although the building industry is facing a "boom", it is also facing a "bust", as construction under some building contracts cannot commence because housing indemnity insurance certificates have not been made available to builders. It is not just a case of builders not being able to come up with the necessary bank guarantees or other required bonds. It seems that there are insufficient operators in the building indemnity insurance area in Western Australia. More than that, and related to the collapse of HIH Insurance Ltd, the insurance companies are now extremely slow in processing those applications. That is having a significant detrimental effect on the building industry and consumers. My plea is that the Government not just sit around saying that a report is due at the end of August. I have been in Parliament long enough to have heard ministers say that on many occasions, only to find that once the report comes forward, it then must be assessed or considered before some positive action is taken. The minister, in pointing to some others in the Parliament, should understand that I am talking about many previous Governments.

Hon N.D. Griffiths: I understand.

Hon GEORGE CASH: In my view, the report will come forward at the end of August, if it is on time, but that will not save the industry, because it will take some time for positive action to be put in place to assist the industry. I leave my comments there in the hope that the Minister for Racing and Gaming will convey my concerns to the relevant minister in the other place in the hope that we can improve the situation of housing indemnity insurance certificates to building contractors in Western Australia.

HON BARRY HOUSE (South West) [8.42 pm]: This area relates to my responsibilities as opposition spokesman on housing. I have dwelt on some of these matters before, but this debate provides another angle to the situation. Home ownership in Australia is a great tradition. Australia has one of the highest proportions of home ownership in the world. I do not have the figures with me, but I have seen them before. The first home owner grant has become a great tradition in Australia to encourage young people into home ownership. I guess most members in this Chamber have been through that and were allocated a first home owner grant at some stage.

Hon N.D. Griffiths: I missed out.

Hon BARRY HOUSE: Did the minister miss out? Perhaps he can still claim it. I recall that I received about \$750 as my first home owner grant for a home in Boundary Road, St James. I am pleased to note that many Australians share that great tradition. An article titled "First home is where the heart is" appeared in the *Sunday Times* on 18 March. The article began -

Be it ever so humble, there's no place like your first home. Even the rich, famous and infamous had to start somewhere -

Hon N.D. Griffiths: Tell us more about the infamous.

Hon BARRY HOUSE: We all know that. One of the rich, famous or infamous the article picked on - I am not sure which, so I will leave members to judge - was none other than the Premier, Dr Gallop, and his wife.

Hon N.D. Griffiths: He is famous. We'll leave it at that. He does a good job.

Hon BARRY HOUSE: The article reported -

Premier Geoff Gallop vividly remembers his first home with wife Bev and their two children, then just toddlers. It was a semi-detached cottage with all the period features . . . including the original outdoor loo.

They are great memories for Dr Gallop and his family and they are great memories for many Australians. The introduction to the article stated -

With the doubling of the grant for new homes in the First Home Owners scheme, it has just got easier for first-time buyers.

The reporters spoke to a few celebrities about their first homes. I thought that was worth mentioning as an introduction. The Prime Minister's announcement in March to double the first home owner grant was a significant response and came at a time when the federal Government -

Hon N.D. Griffiths: It was in deep doo-doo because of the Ryan by-election.

Hon BARRY HOUSE: Let us say that it had received significant signs and indications from the Australian public that some things needed responses. It was to the federal Government's great credit that it responded in a caring way on the first home owner grant.

Hon N.D. Griffiths: Say that with a straight face!

Hon BARRY HOUSE: That went hand in hand with responses on the business activity statement, fuel taxes and the recent case of exceptional circumstances for farmers affected by drought. The Prime Minister, through his caring and prompt response to these matters, has turned public opinion around and is now, at even the best calculations, on an even keel with the Opposition leading up to a federal election. He deserves great credit for that. The doubling of the first home owner grant was in response to various factors. As Hon George Cash eloquently pointed out, the housing industry was in something of a slump. That may have been due to post-goods and services tax pressures. Prior to the introduction of the GST on 1 July last year, the building industry was in a state of almost overexcitement. As the industry came down off that high, there were problems leading into the second half of last year and the early part of this year. The federal Government's announcement was a welcome response for the Australian economy and particularly the first home buyers' market.

The first home owner grant is a federal grant, but it is administered by the State. Members must cast their minds back a little. I have a few newspaper cuttings to remind them of the situation. In its early days, the State Labor Government was slow to pick up on some issues. This was one of them. Another article published in the *Sunday Times* on 18 March was titled "Homes scheme anger". The article reported -

The new-home dreams of WA battlers are turning into a nightmare because the Howard Government's \$14,000 cash carrot is being withheld.

Banks are turning away young West Australian families who think they can use the first-home buyers grant as a deposit on a new home.

In WA, they have to wait until their home is completed before they can get the \$14,000 payout from the State Government under the First Home Owners Scheme.

But eastern states first-home builders receive their bonus when they make the first progress payment on their home, about 40 days into construction.

Hon N.D. Griffiths: When the Government came to power the scheme was operating under rules set down by the Howard Government, and the administration prescribed by the former minister, Hon Graham Kierath. The Government caused the position of builders' insurance to be made known to the Acting Commissioner for State Revenue, and as a result of that, Western Australia followed the practice of the eastern States. The former Minister assisting the Treasurer, my predecessor, Hon Graham Kierath, held matters up from about August of 2000, and I rectified it.

Hon BARRY HOUSE: Whatever the administrative hitch was, it was rectified. For one or two weeks in Western Australia, there was a hiatus in the situation, where some of the benefits from the increase in the first home owner grant looked as if they would meet an administrative hitch that was unforeseen and unreasonable.

Hon N.D. Griffiths: It was taken care of in a proper way, and then there was a further hitch caused by federal Treasurer Peter Costello.

Hon BARRY HOUSE: We saw some media reports. Here is another one from *The Australian* of Wednesday, 21 March. The headline reads "Gallop backflip on home grants" -

Just days after defending its tough administration of the scheme, the Gallop Government has buckled under pressure and will offer up front the federal Government's new \$14,000 homebuyer grant.

The State Government finally comes to the party.

Hon N.D. Griffiths: The Government rectified the previous Government's inactivity.

Hon BARRY HOUSE: That is the way Hon Nick Griffiths puts it. He seems to be blaming everything, from the drought, to the Holocaust, to his sick cat, on the previous Government.

Hon N.D. Griffiths: The cat is quite well. I took it to the vet the other day.

Hon BARRY HOUSE: The Government must bear some of the responsibility.

Hon N.D. Griffiths: I am happy to claim responsibility for doing a damned good job.

Hon BARRY HOUSE: Thankfully, the home owner grant then really kicked in, and over the past few months, as Hon George Cash has explained, the home building industry has really taken off. This was done with the cooperation of some of the banks. *The Australian* of Friday, 20 April published an article headed "Home lender takes the hurt out of deposit" -

Struggling first-home buyers will no longer need to save for a mortgage deposit following a decision by Westpac to let them use the Government's first-home buyer's allowance instead.

A similar article on that same issue appeared in *The Australian Financial Review* on 20 April, under the heading "Westpac opens the door". The grant was a significant factor in kicking off the industry. I have a handful of newspaper clippings that illustrate this fact from 10 March onwards. *The Australian* of Saturday, 10 March had the headline "Home Grant will boost growth: PM". The *Sunday Times* of 11 March published an article under the headline "Kiss of life for home builders". *The West Australian* of Monday, 12 March headed its story "Home grants spark rush". This article was about a rush towards display homes by home seekers. This then spilt over into suppliers of all kinds of home building products. *The Australian Financial Review* of Monday, 12 March had the headline "Grant has home inquiries soaring". The *Australian* of 12 March had the headline "First home buyers rush to cash in on rebate". From *The West Australian* 23 March comes the heading "Home grant increase triggers a land rush". There we have a multiplier effect into land availability. *The West Australian* 31 March published a headline "Grant doubles land demand", and on 11 April an article was headed "June housing pick-up tipped". *The Australian Financial Review* of 26 April published an article headed "Grant lifts new house sales to a record high", and on 15 May the same newspaper published an article headed "Housing rebound tips growth". *The Australian* of 15 May headed its article "Big jump in new housing activity". *The Australian Financial Review* of 12 June headed its article "First-home buyer loans up", and on 4 July it featured another article headed "Building boom lifts recovery hopes". On the same day *The West Australian* published the headline "Boom built on handout". That summarises it all. I have already referred to a front-page article from *The West Australian* of 12 July headed "Home boom: building industry set to kick-start WA economy".

Following that, also from *The West Australian* of 1 August comes the headline "Building industry boosted by boom".

There we have the picture created in the Press that the new home buyers grant really did have a positive impact on the housing industry in Western Australia. Coupled with that, credit can be given to the federal Government's low interest rates, consistently and over a long period of time.

Hon N.D. Griffiths: I thought the Reserve Bank was supposed to do that, not the federal Government.

Hon BARRY HOUSE: The federal Government establishes the circumstances for the Reserve Bank to set the interest rates. Would Hon Nick Griffiths agree with that? We have to be fair about these things and acknowledge that the federal Government does play a very significant role in some of the major economic indicators in this country. Interest rates in Australia have been low for a number of years.

Hon Kim Chance: That has been a worldwide fall.

Hon BARRY HOUSE: Yes, worldwide but -

Hon Kim Chance: Australian interest rates are quite high compared with some other places; not as high as they were -

Hon BARRY HOUSE: That is right - not as high as they were.

Hon N.D. Griffiths: They are not as high as they were under John Howard.

The PRESIDENT: Order! Hon Barry House will address the Chair and not encourage the minister to interject.

Hon BARRY HOUSE: Thank you, Mr President. The minister has prompted me to think about the rates of interest under previous Prime Ministers Bob Hawke and Paul Keating, when they were up to 18 per cent for housing loans and up to 25 per cent for businesses.

Hon Kim Chance: The rates were comparable worldwide.

Hon BARRY HOUSE: Relatively, Australia was worse off than it is now. Now interest rates are in a very healthy position, and have been for a long time. Conditions exist for a very buoyant housing industry, and this is what is happening, in general terms, but the cloud hanging over that industry is the HIH Insurance situation, previously referred to. I made a few remarks on this last week, and it has been mentioned again today.

The collapse of HIH and its subsequent effect on the ability of builders in Western Australia to obtain building indemnity insurance is still seriously affecting builders. That is the one downside to the picture at the moment. I went through this in some detail last week, so I do not intend to repeat that exercise. I will reiterate my approach to Mr Kobelke, Minister for Consumer and Employment Protection, who is responsible for the consumer legislation, but I also address my remarks to the Minister for Housing and Works in this House, who is surely responsible for housing in the private sector as well as public housing. He must take an interest in the private housing sector, and this is a significant issue, so he and his colleagues in Cabinet must take up the banner and do something about this situation. Many builders are now having insurance companies impose onerous and unreasonable conditions on their applications for housing indemnity insurance, with the effect that some builders have been unable to obtain indemnity insurance for up to four months. They have been out of work for four months. That has been a crippling situation for those particular builders. Many of the builders caught in the situation have had to restructure their businesses to meet the insurance companies' onerous and unreasonable demands. The forced restructure has related not to their ability as a builder but to their net worth. Those builders have had to demonstrate their net worth, rather than their abilities as builders, to the insurance companies. If they are successful in satisfying the insurance companies through bank guarantees and other net worth that they qualify for an indemnity certificate, they can get their plans released from local authorities and start work; however, the threshold limit is often too low. I am talking mainly about individual builders who are building custom-built houses and are not necessarily involved in the first-home market. The project builders, who are responsible for the vast bulk of first homes built in Western Australia, have largely escaped this situation. The one or two builders caught up in it experienced a hiccup for two or three weeks, but they were able to demonstrate their asset worth to the insurance companies and get indemnity certificates of up to \$200 000, which cover the vast bulk of first homes. However, they do not cover individual custom-built homes, because most cost more than that. In many cases, the threshold limit has been too low. That, of course, has caught the clients, some of whom have been waiting for four months. They had been given the go-ahead and are now starting to question their builders, because everything seems to be right and the plans have been accepted. They do not know why the builders do not get on with it and start work. The builders cannot do that because they cannot get their indemnity insurance. In some cases, the builders must get the homes repriced. The delay is not only frustrating but also becoming very expensive because the need to get home plans repriced results in escalations in cost and time. It is becoming very expensive. The flow-on effects have a major impact on many

communities as staff are laid off and subcontractors find themselves out of work. Suppliers are also affected, as are their families, who, like everybody else, must pay mortgages and feed their kids. It is a multiplier effect throughout the community. I have approached the State Government about that and am waiting for a response.

I too was interested in the question Hon George Cash asked of the Minister for Racing and Gaming representing Minister for Consumer and Employment Protection. The minister replied, and I quote -

The Minister for Consumer and Employment Protection is aware that, following the financial collapse of HIH Insurance, serious problems have been experienced by some builders in obtaining home indemnity insurance.

That is at last an acknowledgment by the Government that a problem exists. Until then, I had not heard an acknowledgment of the problem, so that is a positive step. I continue -

The Department of Consumer and Employment Protection has sent a questionnaire to all registered builders to determine the exact extent of the problem, including the cost of premiums and prudential requirements.

I give the Government half a tick for this, because it has at least tried to find out the true situation. However, it has imposed on builders another load of paperwork. Some of them are telling me that they are working for four hours each night just to try to get their indemnity insurances. I could ask why the Government did not go straight to the peak industry bodies to find out the information. However, I will give it the benefit of the doubt because the two peak bodies, the Master Builders Association and the Housing Industry Association, have a difference of opinion over the effect of indemnity insurance.

Hon N.D. Griffiths: Don't you think it is better for the Government to go directly to the builders rather than rely on anecdotal evidence?

Hon BARRY HOUSE: I agree. In this case, I will give the Government three-quarters of a tick. I will refer to that situation later. I applaud the Government for trying to get some genuine information from all the builders. However, the issue is the time it takes to do that.

The minister went on to say -

... the minister has approved two new insurers to operate in the market. Although the rush of new home indemnity insurance applications created administrative problems for all insurers, reports indicate that processing delays caused by the bottleneck are now easing.

That is not what I am hearing. I am hearing that significant problems still exist. Some builders are told they can get their applications processed in three to seven days; for others, it takes three months.

Hon N.D. Griffiths: There might be reasons for that.

Hon BARRY HOUSE: I am sure there are, but I think those reasons relate to the fact that the builders are being asked to totally restructure their businesses and provide bank guarantees. These are onerous conditions for builders, some of whom have been in the industry for 25 years. Those builders can clearly demonstrate that they are good, efficient and competent operators in the building industry, but to get their building indemnity insurance they must now establish their credentials on different criteria. It is similar to the Lloyds example the minister mentioned.

Hon N.D. Griffiths: Given the way our society operates, market intervention would be difficult.

Hon BARRY HOUSE: I am not saying it is easy, but the Government has a role.

Hon N.D. Griffiths: The Government is playing a role, but it has to do it properly.

Hon BARRY HOUSE: Indemnity insurance is compulsory; therefore, the Government has a responsibility in this area.

Hon N.D. Griffiths: Are you suggesting there should be a government insurer?

Hon BARRY HOUSE: Some sectors of the industry are seriously considering that option.

Hon N.D. Griffiths: Does the Opposition know your view on that?

Hon BARRY HOUSE: I understand that is what happens in Queensland. In that State, 0.6 per cent of the contract price of a building is covered by a pooled fund operated by the Government. Builders are insured that way. My instincts tell me that is probably not the right way to go.

Hon N.D. Griffiths: It is interesting, because it is government intervention vis-a-vis the market place. When the market does not seem to be working to everyone's satisfaction, people call for intervention; on the other hand, we know how efficient economies work.

Hon BARRY HOUSE: I do not think I am hearing a serious call for government intervention. People are aware of the current review of home building indemnity, and I am sure many points of view are being put forward, and that would be one of them. Once all the delays with the private insurers are sorted out, we will probably have a reasonable scheme. However, the delays caused by this situation have been crippling.

Hon N.D. Griffiths: The HIH collapse was a massive blow to our economy.

Hon BARRY HOUSE: It has been a massive blow, and builders' indemnity insurance is only one small piece of the jigsaw. A host of other problems have resulted from the collapse of HIH.

The minister's answer continues -

On 17 July 2001, the Government announced a rescue package for home owners holding home indemnity insurance certificates issued on behalf of HIH.

That is true. That addresses some of the consumer issues. I continue -

The package contained benefits for builders in that it clarified that there was no need for them to obtain alternative insurance before continuing with their work.

That provision applies to only existing building work. It covers jobs that builders insured with HIH and had started before the collapse. It does not cover new jobs. It is worth repeating that the Government was very slow to introduce the rescue package. It announced it two months after its counterparts in New South Wales and Victoria announced theirs. The minister goes on -

The rescue package was also intended to be of assistance to those builders who had lodged an application for a building licence prior to 15 March 2001 with a certificate of insurance . . .

That is fine, but that does not overcome the problems of the bulk of the builders I have been approached by or have spoken to, because their applications were lodged after 15 March. We are speaking about builders who have lodged applications for home indemnity insurance to commence jobs after 15 March, not prior to. This is a bit of a Clayton's provision to many of the builders affected by this difficulty. The minister's answer concludes -

The minister has also reopened the statutory review on the home indemnity insurance scheme and established a forum comprising key building and insurance industry players to look at all short and long-term options for home indemnity insurance. The forum will report to the minister by the end of this month.

That has been mentioned during the debate tonight. The Government needs to consult not only the city but also regional areas. I refer particularly to the growth areas along the coast in the south west electorates - Mandurah and Bunbury, Busselton, Dunsborough, Margaret River and Albany are all growth areas where many builders are caught up in this situation. The Government should not only talk to builders in the city, although I know many builders in the city are caught up in this situation; and it should not only speak to the peak bodies, although obviously it must consult with the peak bodies.

Hon N.D. Griffiths: We have gone beyond that.

Hon BARRY HOUSE: It is reassuring to know that the Government has gone beyond that with its questionnaire. I have not seen the questionnaire, but I hope it covers some of the suggested changes to the home building indemnity scheme, as well as trying to get a statistical snapshot of the industry at the time. I suggest that the minister or his deputy should hold some public meetings in these areas where I know there is significant growth.

Hon George Cash: That is a very good idea.

Hon BARRY HOUSE: I suggest that the minister hold a public meeting in Mandurah. I know builders are caught up in the situation in Mandurah, Bunbury, Busselton and Dunsborough, Albany and Geraldton. I believe I had a call from a media outlet in Kalgoorlie, so the situation is probably relevant to Kalgoorlie as well.

Hon George Cash: You would then get a broad-based view.

Hon BARRY HOUSE: Yes, that is the point. I ask the minister in this place to take back to the Minister for Consumer and Employment Protection -

Hon N.D. Griffiths: I will make sure that Hon John Kobelke is made aware of your observations and those of Hon George Cash. Those points of view and those of other members are very important and they should be made known to the minister.

Hon BARRY HOUSE: Yes, we are trying our best to be constructive. We have a relatively buoyant industry but there is still one dark cloud on the horizon refusing to go away.

Other newspaper articles have displayed what I have been saying. *The West Australian* of 5 May states "Delays put home grants in jeopardy", and on 24 May *The Australian Financial Review* states "First home grant's HIH peril".

Finally, there is possibly a case for an extension of the \$14 000 first home owner grant after the deadline of 31 December.

Hon N.D. Griffiths: I raised that first.

Hon BARRY HOUSE: I have an article here that actually credits the minister. He has been quoted in *The Australian* of 17 May, in an article "Call to extend housing grants", as saying -

First-home buyers should be given more time to obtain the federal Government's \$14 000 allowance for new homes in the wake of the HIH collapse, according to Western Australia's Assistant Treasurer Nick Griffiths.

That article probably has some relevancy, and it is backed up by *The Australian Financial Review* of 13 July, which states -

Housing at risk of boom-bust scenario.

This is a call from the Master Builders Australia for a similar extension.

Hon N.D. Griffiths: In light of your quoting me, I will make sure that not only the minister reads your speech but also every member of Caucus.

Hon BARRY HOUSE: In summary, it is worth repeating that the doubling of the first home owner grant has reinforced a great Australian tradition that is encouraging first home ownership, but particularly getting young people into first homes. It has been successful after a bit of a slow kick-off, but the one issue in this apparently buoyant time which is still restricting large individual sectors of the building industry is the situation with HIH and the frustrations for builders obtaining home indemnity insurance.

HON GIZ WATSON (North Metropolitan) [9.16 pm]: I wish to say a few words about this Bill. The Greens (WA) will be supporting the Bill, although I have some comments to make about legislation of this nature. As previous speakers have said, this Bill will give effect to the Prime Minister's announcement for additional payments under the first home owner grant scheme and to increase those payments up to \$14 000 under certain circumstances. I noticed in the second reading speech that the additional extra cost is estimated to be \$7.3 million for 2000-01 and \$12.4 million for 2001-02, and is estimated to be payable to approximately 2 800 purchasers of new homes under this arrangement. I also noticed that this arrangement will cease at the end of December 2001.

I have listened with interest to the previous speakers on this matter. Obviously it is difficult to argue against a Bill that will provide a number of people with the additional funds required to purchase first homes. However, we must remember that the whole reason the building industry finds itself in this slump is because of the introduction of the goods and services tax, which the Greens vigorously opposed and continue to vigorously oppose. Yes, we saw a boom leading up to the time when the GST was introduced and, as probably the only registered builder in the Parliament, I can say that the building industry is continuously in a boom and bust situation. That is the nature of the building industry.

Hon N.D. Griffiths: Are you still a registered builder?

Hon GIZ WATSON: I no longer pay my registration, because it is very expensive to pay it every year. Since I am not building at the moment there is not a lot of point continuing the payments. It is not taken away from me.

Hon N.D. Griffiths: You have the right to re-register?

Hon GIZ WATSON: That is right.

Hon Barry House interjected.

Hon GIZ WATSON: I am glad I am not in a situation of having to do that. This Bill is an acknowledgment of the central role that the building industry plays in the economy, and certainly in the economy of Western Australia over and above the other States. It is curious that this Bill seeks to compensate one area of industry for the impact of the GST but does not seek to compensate other areas. Some of the sectors I have heard from, such as the not-for-profit sector that is suffering badly as a result of the goods and services tax, are not being offered \$7.3 million or \$12.4 million or anything to compensate for the difficulties they are experiencing as a result of the GST. Targeting a particular sector that is a large employer and a crucial building block in the current economy of the State is one thing, but interesting philosophical questions arise about maintaining a booming building industry and about the whole development mentality. Any ongoing building boom in Western Australia comes at a cost of considerable urban sprawl and loss of bushland, whether in Dunsborough or Wanneroo.

Introducing that sort of figure into the building industry in Western Australia has environmental impacts. I am not suggesting we will not support the Bill. It is a little hard to argue that home owners who have been disadvantaged by the introduction of the GST should not receive some sort of payment, but it is a very selective payment to a particular sector.

Hon N.D. Griffiths: You will note that the selection is made by the Commonwealth Liberal Government and the State Labor Government is administering it.

Hon GIZ WATSON: I can see why the Prime Minister has made the move, which is obviously popular. I would put a strong case that if there were a holistic and comprehensive approach to the impact of the GST, even if only in the short term, many sectors should have been looked at and not only the building industry and first home owners.

I realise the ethos of home ownership in Australia is important. However, it comes at an enormous expense of resources and environmental impact. I would argue that at some point the building industry as it exists in Western Australia must come to an end. It cannot continue to grow ad infinitum. I will not go into the issues of the impact on hardwood forests and those sorts of continuums of consumption of resources.

Having made those more philosophical comments about why the Bill targets that sector, we will support the Bill. However, it is a tack-on to the unnecessary and unpopular introduction of the GST to Australia.

HON N.D. GRIFFITHS (East Metropolitan - Minister for Racing and Gaming) [9.23 pm]: I thank members for their support of the Bill. Hon George Cash made a number of very interesting observations which were well worth listening to. I reiterate what I said in what I hope was not an unruly interjection to the effect that I would cause his observations to be referred to the Minister for Consumer and Employment Protection. With regard to listening on the part of the Prime Minister, that clearly involves the lead-up to the Ryan by-election.

I should point out that the cost of the administration of the scheme is being borne by the State. I note the observations made about the HIH Insurance collapse, not strictly speaking related to the content of the Bill but relevant to the state of the housing industry and, therefore, worthy of comment. Those matters in particular will be raised with Hon John Kobelke. That is not to say that the Government agrees with each and every point made by Hon George Cash, but certainly the observations he made are worthy of consideration. I understand that those issues are being addressed progressively by Hon John Kobelke and that he is well aware of the issues raised by Hon George Cash.

Similarly, Hon Barry House raised some very significant issues. I thank him for quoting my observations which were recorded in *The Australian*. It is very pleasing when somebody occasionally reports what I have to say about something. It is even more pleasing to see that one of my colleagues in the House goes to the trouble of not only fishing them out of newspaper reports but also quoting them in the House. I reiterate that I intend to cause Hon Barry House's very learned speech to be provided to my caucus colleagues. I hope they will garner great wisdom from his observations. Again, that is not to say that the Government agrees with each and every one of his comments, but the issues he has raised are very important. Again, I will cause those matters to be raised directly with Hon John Kobelke.

Hon Giz Watson has pointed out that she was speaking on behalf of the Greens (WA). I thank her for her support and thank her party for its support of the Bill. She made very pertinent observations on the GST. I note her observations about the federal Government's targeting building and not other areas of endeavour. I note the Greens' concerns about developments and the environment and the philosophical observations that Hon Giz Watson dealt with briefly. I think we all know where she is coming from, and it is very proper for her to make those observations in the context of a debate like this. It is very refreshing and rewarding to hear of a number of points of view so that we have a complete picture, insofar as we can get it, of what is going on.

I conclude by thanking those members who have spoken for their support. I trust the House will see fit to support the second reading of this Bill.

Question put and passed.

Bill read a second time and proceeded directly to third reading.

Third Reading

Bill read a third time, on motion by Hon N.D. Griffiths (Minister for Racing and Gaming), and passed.