

HOME OWNERSHIP - AFFORDABILITY

Amendment, as altered, to Motion

Resumed from 15 August on the following motion moved by Hon Ray Halligan -

That this house condemns the government for the undue anxiety created for the many first home buyers through its inability, in a timely manner, to -

- (a) help reduce the cost pressures on residential land;
- (b) help reduce the supply and cost pressures associated with skilled labour; and
- (c) meet its election commitments to -
 - (i) address housing affordability;
 - (ii) increase social housing stock; and
 - (iii) encourage and enable home ownership.

to which the following amendment, as altered, was moved by Hon Louise Pratt -

To delete all words after "That this house" and substitute -

calls on the government to -

- (a) help reduce the cost pressures on residential land;
- (b) help reduce the supply and cost pressures associated with skilled labour;
- (c) continue to meet its commitments to -
 - (i) increase social housing stock,
 - (ii) encourage and enable home ownership,
 - (iii) improve housing sustainability and energy efficiency,
 - (iv) alleviate pressure on private sector rents through measures such as the lifting of letting fees,
 - (v) targeted loan schemes, including shared equity housing loans,
 - (vi) improve access to affordable quality housing for Aboriginal Western Australians, and
 - (vii) introduce new measures in the state budget to address affordability.

HON SIMON O'BRIEN (South Metropolitan) [11.03 am]: As I indicated yesterday, I support the motion moved by my colleague Hon Ray Halligan, which states -

That this house condemns the government for the undue anxiety created for the many first home buyers through its inability, in a timely manner, to -

- (a) help reduce the cost pressures on residential land;
- (b) help reduce the supply and cost pressures associated with skilled labour; and
- (c) meet its election commitments to -
 - (i) address housing affordability;
 - (ii) increase social housing stock; and
 - (iii) encourage and enable home ownership.

I support that motion. As I said yesterday, I therefore am opposed to the silly and puerile amendment that seeks to somehow turn the motion into some sort of congratulation of the efforts of the Carpenter Labor government and, in particular, the Minister for Planning and Infrastructure for what they have done, when they should stand roundly condemned for what they have done to housing affordability in this state. I oppose the amendment, altered or not, which seeks to distract the house from the very good and worthwhile motion moved by Hon Ray Halligan. The way things occur in this place means that sometimes motions that are placed on notice are not dealt with until some months down the track, and this is indeed the case with the motion of Hon Ray Halligan. It is perhaps worthwhile to note that when he originally gave notice of this motion on 12 September last year, housing affordability was an issue - a matter of crisis in Western Australia. It has not got any better since then;

in fact, it has got worse. Hon Ray Halligan has done us a favour now, as much as he did when he gave notice of this motion in the third quarter of last year.

Yesterday, I pointed out to the house some observations that I made just over a year ago, when I alleged that Western Australia was entering a housing crisis. I offered three principal reasons that the blame for that growing fiasco should be sheeted home to the Gallop and Carpenter Labor governments, and principally to the Minister for Planning and Infrastructure. In summary, those reasons are, first, that direct imposts of taxes and charges are made, sustained and increased in every way by this government without apology, rhyme, necessity or reason. Those direct imposts and charges, as well as some other indirect government imposts and charges, add a staggering proportion to the amount that people have to pay for a home in Western Australia, whether they are buying a new home for the first time or are simply moving house to meet the changing needs of themselves and their families, or for whatever reason. I also indicated at that time that in the subsequent year - that is, the year that has elapsed since I gave this prognosis in July 2006 - rents would increase dramatically in Western Australia in large part simply because of land tax increases, which can again be sheeted home directly to this government that now wants to pretend that there is not some sort of housing crisis and that it is managing the housing affordability issue in a way that deserves congratulations. What absolute humbug. The fact is that as tenants' leases have to be renegotiated after they expire, landlords, understandably, have to do something about the massive increases in land tax. I gave a hypothetical example in which the land tax bill on one property had gone up by \$6 000 per annum. That roughly equates to a need for a landlord to increase a person's rent by \$500 a month. Land tax increases on individual properties of \$6 000 per annum are very much the order of the day. There are many, many examples. There have even been protests on the steps of Parliament by people who have been hit with land tax increases of five-figure sums. They are now incurring land tax bills of \$10 000, \$20 000, \$30 000, \$40 000 or \$50 000 per annum for beachside family cottages or little holiday shacks down the coast, which those families cannot possibly afford to pay.

I come back to the broad range of tenants - that is, people who must rent a dwelling to obtain shelter for themselves and their families - who are being priced out of the market for reasons directly related to the policies of the Carpenter Labor government. That is a fact. If anyone is capable of refuting what I have just said, I would like to hear what they have to say. I do not want to hear a lot of spin about that not being the case. Members opposite should get out the budget, the figures, the schedules, the land tax rates and the receipt books and demonstrate to me that what I am saying is untrue or even exaggerated. They will fail to do so. They should not come in here with meaningless little amendments that seek to defer the impact of Hon Ray Halligan's motion. They should tell us why Hon Ray Halligan's motion should not be supported. I think they will fail dismally. Members on the government benches can laugh and giggle, secure in their arrogance that they are in government and that nothing can happen about that until the next election, but I warn them now that if they disregard the legitimate expectations of the people of Western Australia, their term in government will come to an end, and rightly so.

All I have seen so far in this debate is that the government is in arrogant denial. It does not want to know, yet so much of this scandal and fiasco is due to its activity. It is due to not only the effects of the government's taxes and charges policies, but also the urban growth policies that this government and the Minister for Planning and Infrastructure in particular have pursued, continue to pursue and will persist in pursuing despite the warnings and the known effects, and even though they know that those policies will hurt Western Australians more and more. That is what is happening. I mentioned this yesterday when discussing the amendment, as amended.

An iniquitous attitude has been displayed by the government. It is deliberately restricting land availability, which is costing Western Australians dearly. The figures produced by industry show a direct correlation between the number of lots on the market and the average price of lots. The number of available lots is trending down, down, down and, simultaneously, the cost of land, as we all know, is trending up, up, up. There is a direct correlation. It is as plain as the nose on the minister's face, yet the government has failed to recognise it. Perhaps government members cannot bear to look at themselves in the mirror in view of what they are doing to people in Western Australia.

The third reason for the problems in housing affordability is also the fault of the Carpenter state Labor government. It presides and continues to preside over a dysfunctional approval system. It is impossible for blocks to come quickly onto the market because of the complex, multilayered regulatory framework that this government persists in maintaining. The one thing that the government did try to do was to bring in a planning practitioner of some standing, Marion Thompson. It asked her to come up with some plans or to develop a system to fast-track the release of lots. Perhaps it just wanted to appear as though it was doing that, because Marion Thompson has reported to the government on several occasions, in particular in February this year, which was long before the budget was handed down. She offered some advice to the government on what it could do to provide relief. Did the government take a blind bit of notice of that? It did not. Its own troubleshooter, who was taken on specifically to advise the government on what could be done, or to give the

appearance that the government was doing something, reported and made recommendations to the government, but it said that it would not do any of the things recommended. I will be able to go into the detail of what was recommended to the government at another time. The government received recommendations from Marion Thompson about taxes that militate against home affordability, but it then said that it would not take her advice. Instead, it decided to continue to milk the Western Australian public to the tune of a couple of billion dollars a year every year, which it does not need. If that is not sticking up two fingers to its own expert and also to the public of Western Australia, I do not know what is. It is further evidence of its smug, complacent but ultimately misplaced arrogance.

It is now more obvious than ever - more obvious than when Hon Ray Halligan gave notice of this motion on 12 September 2006 or when I addressed the Property Council of Australia in July 2006 - that this government does not understand the market, the forces of supply and demand or that a boom presents its own challenges that have to be managed. The fact that adequate buffer stocks of land are not available for development makes all of that abundantly clear. Perhaps worst of all is the fact that the government does not care. If it did care, it would take note of how Western Australians are suffering. If it cared, it would have regard for the very many people, many of whom are Labor voters, who are having difficulty and will experience greater difficulties as the year progresses in meeting the rent on their family homes, be they great or small. I urge members to consider these matters when considering whether we need this pathetic little amendment or whether the house has the courage to consider the original motion moved by Hon Ray Halligan. Members should not take just my word for it. The government and its members claim to be in touch with the public other than through the advice that they receive through the Department of the Premier and Cabinet's politicised, spin-doctoring units. If that is true, they should not take my advice but should seek that of the would-be homebuyers who cannot buy a block. They should ask the young couples who cannot afford their first homes. They should ask the parents who must source additional funds and capital to help their kids get a home of their own. They should ask the home builders whose costs are going through the roof, which then have to be passed on to their clients, and who struggle with a dysfunctional approval system, which takes more than 10 months on average to provide approval for a home. They should ask the homebuyers who have experienced significant additions to their borrowings just to pay for government taxes and charges. They should ask those people whether we ought to be debating Hon Ray Halligan's motion. The answer would come back loud and clear that of course we should.

I have made it quite clear that I am not in favour of the amendment that is before us. In fact, I utterly condemn it. All members of the house should discount it. Furthermore, we should return to the original motion. From all that we have seen and heard, the house should support Hon Ray Halligan. We should condemn the government for what it has deliberately done and for what it has deliberately failed to do. We should condemn it for the damage that it has deliberately caused and will keep causing to the legitimate aspirations of Western Australians. The government should be condemned roundly. The government might think that it has the numbers and can just dismiss this; it can rely on some Green votes, which it also takes for granted as it takes for granted the electorate that returned it by a narrow margin at the last election. I, for one, am getting heartily sick of that arrogance, and I think the public of Western Australia is as well. The best way I can reflect the community's discomfort, suffering and displeasure as an elected representative is to support the original motion moved by Hon Ray Halligan. I urge all members of the house to do the same.

HON MURRAY CRIDDLE (Agricultural) [11.21 am]: I will make a couple of remarks on the amendment. It is so long ago since I spoke I was not aware that I had another opportunity to speak on the amendment. I welcome the opportunity. Obviously, this issue is very important to country people. I say that because there is a need to have people not only remain in the country, but also go to the country to enhance the skills in the area. One of the ways we can do that is to put proposals in place that give the opportunity for those people to move from the city to the country. At a recent conference, Nationals leader Brendon Grylls announced a policy, which I think will go a long way towards doing that. It is about moving people to towns of fewer than 10 000 people. It is also for people who do not currently own their own residence. They will be moving without a great deal of capital. It involves a grant of \$25 000 for relocating from the city to a small town. The opportunity will be there, provided people live in the dwelling when they arrive. They have a commitment to live there for a certain period. The program is for 1 000 grants a year over five years. There is an ongoing commitment. Country people and regional people need an incentive like that to get people who have the opportunity and skills to move into those areas to do so. We have only to think about teachers, lawyers, doctors and so forth. It would give them an enormous incentive to move to towns, although doctors sometimes require a substantial dwelling. Those are the sorts of people we need. Not only that, we need grader drivers and truck drivers and so forth. One has only to go to Geraldton and hear of the requirement for truck drivers for Cue and the like. They are very well paid these days; they get up to \$30 an hour. Their incomes are quite substantial. They would be very good residents in those areas and have substantial funds to expend in the communities. It is a great opportunity for the government to take on board an initiative such as this, which the Nationals have put forward.

Hon Kim Chance: Does the policy favour families over young couples? Does it prefer people with a larger number of children rather than a smaller number?

Hon MURRAY CRIDDLE: No.

Hon Kim Chance: It might be a good idea.

Hon MURRAY CRIDDLE: The initiative involves having a board that would make that decision. People would make an application to the board, which would be independent. There are plenty of those sorts of boards around to do with regions that we could tack this on to. The opportunity would be there for a board to make the decision about who would get a grant. Obviously, in making that decision, any opportunity to have a larger population movement would be considered pretty favourably. The minister's suggestion is a good one.

Hon Kim Chance: It might save a number of schools.

Hon MURRAY CRIDDLE: Yes; absolutely. It would benefit schools and a number of other sorts of institutions. I know that this is not about Geraldton, but if we had substantial development at, for example, the Morawa agricultural college, we could use someone with the skills to teach in those areas. They do not need just teachers; they need skilled tradesmen to pass on their knowledge to the students. I can think of Narrogin, Denmark and other towns that need those sorts of people. The obvious opportunity is there for this sort of arrangement to be put in place. We are all well and truly aware of the substantial cost of headworks for power, water and roads, which are causing all sorts of problems in the communities with people moving there. The availability of lots comes up regularly. Obviously, people move with the intention of buying a house. They would be able to move into this sort of system. The decision would be made by the board.

Since the amendment was moved, this initiative has been announced. It is one of those things that other people can pick up and run with if they wish. We are interested in leveraging opportunities in the country. If it is an initiative that other people see merit in, well and good. We have made it part of our platform and it will be one of the issues we will use to leverage votes if we ever get into a balance of power situation.

Hon Kim Chance: I do not want to divert the member from his train -

Hon MURRAY CRIDDLE: The minister has never done that before.

Hon Kim Chance: The member for Wagin and I looked at the issues concerning young single people's accommodation in country towns. It will be a major issue with apprentices who are currently in high school hostels. From the day they turn 18, they are no longer entitled to be in those hostels. In a place like Narrogin, for example, where there are large numbers of apprentices, that will create a problem.

Hon MURRAY CRIDDLE: We do not have to look at just Narrogin. I have just come back from Kalbarri where an enormous number of young people are needed to service the tourism trade, but they have not got them. Young people need the opportunity to rent accommodation. If we can get development in that area, I would be more than happy for those sorts of arrangements to be put in place. That is a slightly different initiative from this sort of thing.

Hon Kim Chance: It is the same principle, though.

Hon MURRAY CRIDDLE: Absolutely. One could say that, provided somebody built accommodation for 10 single people in a set of units, there would be an opportunity to get some funds for that. They are needed throughout the regions. I know that Northampton needs aged care facilities. It is another way to get funds into the regions for those sorts of things. In all these initiatives in moving from the city to the country we have to think a little outside the square, otherwise we will have major problems. I said to some people in the north eastern wheatbelt the other day that we are moving to a situation in which we will require something like a Gascoyne-Murchison strategy that covers the whole gamut of initiatives and pulls in federal funds as well as state funds and commitment from local government. We are getting to that stage. That gets back to the idea of single units in places like Morawa and Perenjori. There is already an initiative due to the iron ore; it is one of the big issues that will come to the fore there.

I just wanted to raise that initiative. I hope people will think outside the square, because it could become a network of opportunity to expend funds in the regions to get more accommodation so that we can get skilled people and others. It was recently pointed out to me that cleaners and other people, who have less opportunity to afford things, also need accommodation. They should not be forgotten in the wash-up of this initiative. I thank the house for the opportunity to speak.

HON NORMAN MOORE (Mining and Pastoral - Leader of the Opposition) [11.29 am]: This motion deals with one of the most significant issues facing Western Australians at present, particularly young Western Australians who are seeking to acquire their first property. We have a situation with housing affordability which is totally unacceptable and which is placing extraordinary pressure on young people, in particular, and anybody

who is seeking to acquire a house these days. It is an incredible burden on people in that set of circumstances. It is a very, very serious matter. I suspect that the Minister for Planning and Infrastructure has not worked that out yet. If I can give the government some advice, I have been around long enough to know that during 1971-74 the Tonkin government was faced with a significant land shortage in Western Australia. It came up with the bright idea of providing a significant land development in the northern suburbs where land would be made available to people on a leasehold basis. It was a socialist concept to make available cheap land in the northern suburbs that would be leased rather than bought. That was the then government's response to the significant land shortage at the time. History shows that that government lasted only three years. One of the reasons it lasted only three years was it did not deliver on the fundamentals of providing land and housing for people. Although it had other problems, history shows that that was the main problem it faced. This government has survived longer than the Tonkin government, but it will not survive for a very long time if it continues to ignore this issue. Until quite recently, the government has buried its head in the sand and has sought to blame somebody else, as it constantly does.

Despite all the research that has been done into housing affordability and all the complaints that have been lodged by people who are interested in the subject, the state government continues to respond by saying that it is the federal government's fault. The state government argues that the federal government has not done its job or that it has been responsible for pushing interest rates too high. The bottom line is that it has nothing to do with the federal government but has a whole lot to do with the state government. I said during an adjournment debate the other night that I am sick to death of the way the state government seeks to blame the federal government for the lack of action by the federal government in areas that are the state's responsibility. On that occasion I talked about the situation in the Northern Territory whereby the federal government is intervening in Aboriginal communities. The Premier of Western Australia has complained that the federal government had not done enough for policing, health, education or housing in those Aboriginal communities. I very clearly made the point that that is the state's responsibility, as is the provision of land. The lack of supply of land is the most fundamental reason we have a housing affordability problem. If the state government wants to give away that responsibility to the commonwealth, it should do it. However, once the states give away their responsibility for land, they might as well close the door and say that they do not have a reason for existing. Land issues and the things for which the state governments have responsibility are the fundamental reasons for their existence.

Last year the Liberal Party commissioned Mike Nahan to conduct a report into housing affordability, and that report came down in July this year. Members opposite will say that it is just a Liberal Party document and that it is a biased document because Mike Nahan is a Liberal. The government is entitled to say that if it wishes. However, I will give the government some good advice: it should read the report carefully. It should forget about the rhetoric attached to it and read the fundamental findings of his report. The government will discover that they are the same sorts of findings that are being found by everybody else of any substance who is commenting on the issue of housing affordability. I will look at a couple of issues Mike Nahan raised in his report. On page 5 he has outlined the government's response to the housing affordability crisis to date. The report states -

Over the last six months, the WA Government has begun to react to the housing affordability crisis. Specifically, it:

- Commissioned a series of reports from State Treasury;

I will go through some of the findings of the Department of Treasury and Finance - not Mr Nahan - to indicate what Treasury thinks. The report states that the government -

- Appointed a Land Release Coordinator;
- Set land approval targets;
- Banned rental letting fees;
- Created the First Start scheme;
- Increased the exemption on conveyancing fees for First Home Buyers;
- Reduced land tax rates and thresholds; and
- Provided additional funding for public housing.

Mr Nahan says in his report that those initiatives appear to be reasonably significant on the surface. However, he also says -

... with the exception of the Treasury Reports, the appointment of the Land Release Coordinator and the increased exemption for First Home Buyers, they fail to address the core causes of the crisis in

housing affordability. They will, therefore, have little, if any, impact on housing affordability for the majority of people. Indeed, they have the potential to make the crisis worse.

Let us look at what the Treasury reports that were commissioned by the government have said about housing affordability. The second economic summary for 2007 from Treasury found a number of things. I will choose a couple of points that are quoted in Mr Nahan's report. The first states -

- 'Robust economic conditions and rapid population growth have generated strong housing demand in Western Australia in recent years. However, constraints on the supply of vacant blocks for residential building, supply bottlenecks and increasing residential construction costs (driven mainly by labour and materials shortages) have meant that the supply of new housing onto the market has not matched demand. This has caused substantial house price increases over the past few years, and resulted in deteriorating housing affordability.'

The government will argue that it is overseeing massive industrial and economic development in Western Australia and that we are suffering from the state's success because the demands in the economy have inevitably led to increased prices for labour and materials. However, that does not affect the way in which the government provides land. The amount of land that is provided is not fundamentally affected by that; it is affected by the processes of giving approval. Plenty of people want to develop land but they are being delayed by the approvals process. That is something that the government can address, and it is not a problem caused by the heating of the economy as a result of the boom that we are currently experiencing. The report further states -

- 'Land supply is a key factor influencing the housing market. Limited land supply has led to higher land prices and hence fed through as higher prices of new homes. Over the past year, Perth has experienced the fastest land price growth of all capital cities and regional centres in Australia.'

This is Treasury telling us what is going on. Another example in the report states -

- 'The indicative average price of land sold per square metre rose by 13% over the quarter and by 79% over the year to March. The median price of lots sold increased by 65.1% over the year to the March quarter 2007, from \$188,549 to \$311,346.'

Those figures tell us what the problem is. Land just costs too much. A few years ago \$300 000 would buy a house and land with four bedrooms, two bathrooms, a games room and all the other fruit that goes with modern housing. We are now talking about \$311 000 being the median price for a block of land. I have three children who are in their early 20s and I think to myself, "How on earth are they going to acquire a property unless I use my superannuation and use it to put down a deposit?" That is about the magnitude of my superannuation and the magnitude of the cost of buying a block of land these days. It costs \$300 000 for a block of land, and then there is the added cost of building a house on it. The mortgage that some young people have taken out to get a house is a dramatic burden on their incomes. In a moment I will quote from a document by the Property Council of Australia on the cost of housing for a number of different income groups in the community. That document demonstrates what sort of a burden mortgages, and indeed now rent, is having on people's incomes. The report of the Department of Treasury and Finance also states -

- 'The March quarter 2007 data suggest that housing for first-home buyers in Western Australia is less affordable than in other states.'
- 'Declining housing affordability and a shortage of rental properties have contributed to a tight private rental market in Perth. Compared to two years ago, the median weekly rent for a three-bedroom house is now 40.0% higher.'
- '... the median weekly rent for a three-bedroom house would need to increase by 55.4% (from \$280 per week to \$435.10 per week) to re-establish a gross rental yield of around 5% (the level required by the market).'

As Hon Simon O'Brien very clearly pointed out, the housing affordability crisis is not just about buying houses and blocks of land; it is also about people getting roofs over their heads by way of rental. The rental market is extremely tight and expensive for people who want to look after their families and provide accommodation for them.

I mentioned the Property Council report. It is entitled "Beyond Reach: A workforce housing crisis in the making". The introduction to the report gives three main causes for the housing affordability crisis, all of them related to government policy. The first point reads -

restricted the supply of land in order to (hopefully – and it is so far mainly about hope) increase the proportion of households living in home units rather than traditional suburban blocks

The Mike Nahan report goes into some detail about the Minister for Planning and Infrastructure's vision for Perth; that is, all of us living in apartments or on small blocks of land as close to the centre of the city as is possible. That may be fine for some people, but it simply does not enable those who are seeking reasonably low-priced housing and land to acquire that on the outskirts of the city, because it is simply not being made available. The first concern expressed in the report is the restriction of the supply of land because of this ideological and philosophical view of the Minister for Planning and Infrastructure and the government, and the effect it is having on the provision of land on the outskirts of the city. I can understand why the government might want to go down this path - it might save infrastructure costs such as roads and transport. There is indeed a good argument for having more people in built-up areas than there have been in the past, but it should not be a matter of one or the other; both options should be available. The second point in the report states -

taxed new housing supply through various fees, levies, charges, taxes and compliance costs which now account for up to one third the cost of a new house/land package (these taxes have typically risen by over 300% in the last 5 years)

The government is living off vastly increased revenue from land and housing sales, and the processes by which people acquire land and houses. The state government has obtained a massive increase in revenue from conveyancing. The Property Council argues that that is the second main reason for the housing affordability crisis. The third point states -

tied up supply in a worsening tangle of red tape, which has seen assessment and approval of housing development take longer and cost more yet deliver no community benefit.

In other words, the processes of government are so constraining that the red tape is delaying the provision of land, and creating increased demand without a subsequent increase in supply. This report is quite interesting, and I recommend that members read it. The authors have chosen particular family groupings and sought to indicate what proportion of their income is required to purchase or rent a property in a number of localities around Australia. The report considers Perth, Melbourne, Canberra, Sydney, the Gold Coast, Cairns and Hobart. Suburbs in each city and a representative family - in this case, a primary school teacher and an administrative assistant with a combined family income of \$77 000 to \$95 000 a year - have been chosen, and then the proportion of that income necessary to buy or rent a house in the various suburbs has been calculated. In Western Australia, the northern suburb of Hocking has been chosen. It is one of the newer suburbs. This family would have to spend 51 per cent of its income to build a house in Hocking. Purchasing a unit would require 38 per cent of the family's income, and purchasing an established house would require 45 per cent. Renting a house would require 23 per cent of the income, and renting a unit would require 20 per cent. The interesting thing is not just how much it is costing, but how those figures compare with all the other suburbs for which this assessment was undertaken. The figure for the Perth suburb is significantly higher than for any other area in Australia.

The report goes through a number of other different scenarios, and gives a similar calculation for different levels of income earners. In another scenario, a police officer earning between \$40 000 and \$50 000 in a single-income family has been chosen. The highest figure for that person is in the Sydney suburb of Rockdale, where 91 per cent of the income would be needed to buy a new house. The second-highest figure is Hocking, where 90 per cent of the income would be required. Putting aside the housing affordability issues, that means that people who work in essential services, such as teachers and police officers, cannot afford to buy houses on the salaries they are offered. What attraction is there for people to go into those professions, when the salary is so bad that they cannot afford to buy houses? In this case, renting a house in Hocking would take 40 per cent of the police officer's income. I will not go through the rest of the figures; members can look for themselves. The figures demonstrate a significant aspect of the housing affordability crisis that must be taken into account. If we live in a society in which a policeman, a schoolteacher, a nurse or someone on a middle income cannot afford to buy a house in quite a remote suburb, people simply will not go into those occupations. They will be looking for jobs in which the returns are better, so that they can afford to live.

The Mike Nahan task force report is worth reading. It covers a range of other issues that I will not waste the time of the house going into, because members can read the report. However, I want to refer to one other matter raised in the report that has worried me for some time. I might have been part of a government that contributed to this problem and, if so, I will acknowledge that and admit that we made a mistake. It has to do with LandCorp. As members might recall, LandCorp started its life as the Urban Land Development Authority. I think it may have been a Gough Whitlam initiative back in the 1970s. My memory is a bit hazy, but I recall that it was a combined effort between the states and the commonwealth to set up an authority whose sole intention was to provide cheap land to provide cheap housing for low-income earners. It was essentially a vehicle for developing government-owned land and getting it on the market at a reasonable price. I remember at the time thinking that this was a significant socialist agenda to try to get the government involved in the development of land, and that is what it was. We argued that the private sector should be doing this, not the government. The

Urban Land Development Authority has continued, and has now morphed into this organisation called LandCorp. These days, LandCorp does not seem to have that as part of its agenda. Although it develops government land, it is not in the business of developing the cheap stuff; it is in the business of developing the most expensive stuff. Some of the most expensive land development projects in Western Australia have LandCorp's name on them. I refer, for example, to Minim Cove and, indeed, development in Coogee. LandCorp is selling land for very high prices and, in fact, managing the market so that it maximises the return. That is resulting in developments such as the Mandurah marina, whereby a couple of blocks come on to the market at a time. The supply of this highly priced land is being manipulated to maximise the returns. I can appreciate LandCorp having the view that its job is to maximise its return to government; therefore, the high end of the market should pay. However, I get a little concerned when there is clear manipulation of land supply to maximise returns. People in the private sector do that for a living; they buy and sell depending on the value that is attached to the property they buy. I would have thought that LandCorp should give a lot more thought to concentrating its attention on government land that can be developed to provide low-priced land.

Hon Kim Chance: It does that. What you say is quite correct, but LandCorp also has community service obligation charters, which it fulfils as a separate matter.

Hon NORMAN MOORE: I am saying that it is not doing it well enough.

Hon Ken Baston: It is certainly not doing it in Broome.

Hon NORMAN MOORE: That is quite right.

Hon Kim Chance: It does have CSOs.

Hon NORMAN MOORE: It seems to me that LandCorp is concentrating a vast amount of its time and energy on the development of places such as Minim Cove, the Mandurah marina, the Coogee development and lots of others that it happens to be involved in at the top end of the market. Nevertheless, I must say that it does a brilliant job. The Mandurah marina and the Minim Cove development are quite spectacularly brilliant developments. Ross Holt and his team need to be congratulated on the quality of the work they have done. However, I do not think that is LandCorp's purpose. Private sector people can do all that. LandCorp should go back to fulfilling its original task; namely, doing something about government-owned land that can provide cheap lots for the land and housing market.

I raise a few of those issues today because I want to try to get across the message to the government that - I am not trying to save its hide - if it does not take any notice of this issue, it will put the government's future under some sort of threat. As I said at the beginning, to a large extent, the Tonkin government got itself into trouble because it did not provide for the needs of the community with reasonably priced land. At the moment, an unfortunate situation exists, in which, because of the serious strength of the economy, interest rates are sneaking upwards. Indeed, with the international financial issues that are confronting the stock market and the lending institutions, even further pressure is being placed on some interest rates. On top of this dramatic increase in the price of land and housing, an increase in interest rates will put extraordinary pressure on people who already have properties because they have mortgaged themselves to the hilt. They have done that because it was necessary if they wanted to buy a home. Serious pressure will also be placed on people who already own a home, and make buying a home almost unaffordable for anyone who does not already own one.

I have an article written by Mike Nahan. Members can call him a good guy or a bad guy or whatever they choose, but they should hear his arguments and forget who he happens to be. On page 16 of last Friday's *The West Australian*, an article written by Mike Nahan is headed, "States' housing policies to blame for rate rise". He argues that the main reason for interest rates going up relates to the level of debt in the community, and he writes -

Household debt has grown exponentially, since the beginning of this decade - no place more than in WA. Household debt now stands at 150 per cent of household income, a record level. In comparison, in 1989 during the peak in the last boom household debt stood at a relatively modest 85 per cent of household income.

As a result, household interest costs, even before this week's rate rise, was higher (again at a record high) than in 1989 when interest rates were 17.5 per cent or double the current level. What is worse, households are now so tightly geared they have no spare capacity to cope with higher interest rates.

What has driven household debt? In three words: house price inflation. The growth in housing finance has accounted for virtually the entire growth in household debt and interest cost. While some of the additional debt has been used for more and better housing, house price inflation has been the main factor behind the debt binge.

Over the past 10 years the cost of the average home in Australia has risen fourfold to eight times the average annual wage. In other words, house prices have outstripped income by a whopping four times. The situation is far worse in WA.

What has caused this house price inflation? A combination of four things: scarcity of housing land, higher taxes and charges, easy credit and a mix of euphoria and panic.

Mike Nahan writes about the fact that the first two of those factors are driven by state governments. He continues -

State governments have constrained the supply of housing land to far below demand. In WA, sales of housing lots remained constant over the past five years, while demand increased 70 per cent. As in any market, when supply falls short of demand, prices rise.

Even I understand that. It continues -

When the State agency in charge of supply is in denial and refuses to increase supply, as continues to happen in WA, prices go up higher and faster.

He then talks about state governments ramping up property taxes, and writes -

The States have doubled their taxation on property to \$25 billion last year. This has not only fuelled house prices but has forced households to borrow more.

When home buyers cannot afford to pay up front stamp duty of \$20 000 or \$30 000, they add it to the mortgage. The government's tax take, which has been dramatically increased - the Mike Nahan housing affordability task force talks about the number of extra dollars in the past five years - is having a significant impact on the level of debt that people have now taken out. I mention that particular article to the house for its consideration.

Hon Adele Farina: Will you table the article?

Hon NORMAN MOORE: It is straight out of *The West*. I am happy to table it if the parliamentary secretary wants me to.

At the end of the article it states -

Mike Nahan is a consultant to the WA Chamber of Commerce and Industry and headed the housing affordability task force set up by Opposition Leader Paul Omodei.

I mention that is who he is and where he is coming from in terms of his particular point of view. Nonetheless, I do not think we can argue too hard against the matters in that article. We have reached a stage at which people, particularly young people, have such huge debt caused by the cost of housing that this nation is facing some serious problems. If interest rates go screaming through the roof, we will have a very significant problem on our hands to the point at which people will not be able to continue to pay their mortgages. That would be a horrendous state of affairs. It has worried me for a long time to see young people taking out loans of \$300 000, \$400 000 and \$500 000 - vastly in excess of anything I have ever contemplated - given how much of their income they must pay for that mortgage. On top of that, of course, is the dramatically increased expectation people have of the quality of house they want to own, albeit, people should aspire to obtain the best. I wonder whether they are borrowing more than they actually need in many cases. There is a very good argument for the housing industry to give a bit of thought to housing that does not contain so much fruit and so many frills that add to the significant cost of housing; although, to be fair, the cost of housing in Western Australia is very competitive with the situation in the rest of Australia and, indeed, the rest of the world. We have a very efficient housing industry in this state.

Hon Kim Chance: And some home builders do specifically cater for that kind of market.

Hon NORMAN MOORE: Yes.

Hon Kim Chance: Dale Alcock, I think, is a prime example.

Hon NORMAN MOORE: Yes, he is right across the board.

This is a very serious matter and, putting politics to one side, it is a matter that needs to be sorted out. It can be sorted out with a bit of will.

I am pleased that the Minister for Planning and Infrastructure is now giving the impression at least - if not doing much - that she now understands what the issue is about. She acknowledges that members have ideological views about where people should or should not live and all those sorts of broader infrastructure policies, of which housing is but a part, but she must understand that many people currently in the housing market in Western Australia are at risk. Many people just cannot get into the housing market and they are at even greater

risk, as they find that rents are so high that they cannot afford to rent anything. It is an issue that must be addressed.

In answer to Hon Ray Halligan's motion that asks the government to meet its commitments, the government simply says that it is meeting its commitments, when in fact it is not. As Hon Simon O'Brien said, it would be far better for the house to debate the issues contained in the motion itself than to debate the amendment to the motion moved by Hon Louise Pratt, as they are the fundamental issues that must be addressed, not matters such as letting fees. I must say that the implementation of letting fees has made no difference to the housing market, other than raising rents. Landlords have to get their letting fees back from somewhere. The letting fee, which is usually a week's rent, has been abolished, so landlords add it to the rent so that people pay it anyway. In fact, they probably pay a lot more over time because rents are racked up to cover the letting fee.

Debate interrupted, pursuant to standing orders.