

## **HOUSING AFFORDABILITY IN WESTERN AUSTRALIA**

### *Matter of Public Interest*

**THE ACTING SPEAKER (Mr M.J. Cowper):** Today the Speaker received a letter from the Deputy Leader of the Opposition seeking to debate as a matter of public interest the following motion -

That this house condemns the Labor government for its failure to properly manage land supply issues and property based taxes, fees and charges, which has resulted in a housing affordability crisis in Western Australia.

If sufficient members agree to this motion, I will allow it.

[At least five members rose in their places.]

**The ACTING SPEAKER:** The matter shall proceed on the usual basis.

**MR T. BUSWELL (Vasse - Deputy Leader of the Opposition) [4.36 pm]:** I move the motion.

I thought I would start with a retrospective look at the situation that may have confronted a family in Western Australia in 2000. I am referring to an average family who aspired to do only a couple of things, one of which was to own a house. In 2000, if they had driven through some of the suburbs of Perth and found a house - let us assume it was priced at the then median house price - they would have been looking to purchase a house valued at approximately \$160 000. Upon making the decision to purchase that house and going through the settlement process, they would have received a stamp duty bill from the government of the day to the value of \$4 350. If they chose to pay a 10 per cent deposit, borrow money to make the purchase and repay the loan over 30 years at the prevailing rate of interest, they would have been faced with monthly repayments of \$1 064. If a family member earned the average weekly income at the time, the repayment would have accounted for 40 per cent of average weekly earnings. That is the situation that would have confronted a young family looking to buy their first home in Western Australia in 2000.

Let us step forward to today and the situation that faces effectively the same average family, who might be driving through the same street in the same suburb of Perth, looking to purchase the same house. Once again, it would be valued at the median house price, which is now \$420 000. The stamp duty they would have to pay the state government - the Treasurer - would be \$16 700. The monthly repayment, should they choose to pay a 10 per cent deposit and borrow the remainder to be paid over the next 30 years, would be \$2 829 a month. Interestingly, that repayment equals 80 per cent of average weekly earnings. I will summarise what has happened over the past five or six years while this government has had control of the housing sector in Western Australia. The median house price has increased by 162 per cent. It is interesting to note that 44 per cent of that increase accrued in the past 12 months. Stamp duty has increased by only 285 per cent. The repayment on a housing loan has increased by 166 per cent. As measured by the percentage of average weekly earnings required to meet the repayment, housing affordability in this state has halved under this government. These outcomes are not just disappointing for every person in this state, they are disgraceful.

It is very interesting to reflect on the decline in recent years in the activity of first home buyers in the Western Australian property market. First home buyers now account for around 14 per cent of the total property market in Western Australia. That is the lowest relative level of first home owner activity in the Western Australian housing sector since the Australian Bureau of Statistics started that particular data series in 1981. In the past five years the crisis in housing affordability has forced first home buyers out of the market. They are now experiencing the lowest level of activity they have ever had.

Two very clear facts arise from these observations. Firstly, we have a housing affordability crisis in Western Australia and, secondly and regrettably, this state government, through its policies on land release, taxation and charges levied in the property sector, has played a major role in contributing to this disastrous state of affairs. I want to spend a little time working through each of those issues in turn. I will start with land supply. It is abundantly clear that this government and this minister have failed to ensure the adequate delivery to the market of lots upon which people choosing to live in this state or first home buyers wishing to build their first home in this state can construct their home. The departments involved have systematically failed to deliver the outcomes that the people of this state deserve. That is no more evident than in the minister's own department, the Department for Planning and Infrastructure, a department in which the employee head count, as measured by full-time equivalents, has increased over the past five years from 1 230 staff to 1 537 staff, an increase of 25 per cent.

**Mr E.S. Ripper:** In which department?

**Mr T. BUSWELL:** DPI.

**Ms A.J.G. MacTiernan:** During which period?

**Mr T. BUSWELL:** From 2001 to 2005.

**Ms A.J.G. MacTiernan:** You're not comparing the Department of Transport -

**Mr T. BUSWELL:** The figures are produced by the Department of the Premier and Cabinet. I suggest the minister look at them. The breakdowns are very clear. We could be inclined to think that there is a problem in the Department for Planning and Infrastructure but the sad reality in Western Australia is that the issue goes a little deeper. It cuts to the philosophical view of the minister, a minister who is quite clearly anti-urban sprawl and anti-car. She has a heartfelt view that people should be living in high density inner city accommodation so that they can trot off to work and back every day using public transport.

Last week I was interested to hear the Treasurer read some comments into *Hansard* from the respected economist Dr Mike Nahan. The philosophical guru who drives the intellectual engine room of the state government, the Minister for Planning and Infrastructure, is a chap by the name of Peter Newman. I looked at some of the comments he made on urban planning, motor vehicles and the like. He said -

A city can be made more sustainable by reducing its metabolic flows . . . while simultaneously improving its human livability . . . so that it can better fit within the capacities of local, regional and global ecosystems.

This is the sort of philosophical claptrap and nonsense that drives this minister and shapes the policies that are failing first home buyers in Western Australia. Mr Newman also said -

Building cities with an assumption of automobile usage and growth is no longer sustainable. We need more non-auto infrastructure, less auto infrastructure. Land use patterns that minimise the need for travel. Lifestyle values that put greater emphasis on the community rather than private/isolated values.

The policy failings of this government in terms of land supply are a clear case of a philosophical and ideological obsession driving a planning policy and a planning department that are failing to deliver meaningful outcomes. I am assuming the minister will stand up in a while and address this issue. I suspect she will tell us a few things. She will start by saying that in the long run, the problem is covered because in the Perth and Peel region there are 18 000 hectares zoned residential; that is about 300 000 lots and that will keep us going for about 18 years. The minister will probably hold up a map and make us very excited. She will also say that there are currently 40 000 lots in Western Australia that have conditional subdivisional approval. She will also tell us she has appointed a troubleshooter, Mrs Marion Thompson. She is employed in DPI; she will fix all the problems and this issue will be put to bed. The minister will also refer to the five extra senior planners recently recruited, and the little committee established to try to expedite the approvals process so that more blocks will be available at the end of the day. The interesting irony is that those five extra planners who will cost \$1.3 million a year will be funded by an extra levy on developers. Developers will then pass that cost on to property purchasers. The minister's solution to the problem will put up housing prices even further, so that people have to pay more for the privilege of being able to buy a block of land in this state. That does not address the fundamental issue. There is a systematic failing in the department. It is exactly the same as the government's approach to the Department for Community Development, which is absolutely failing. What has the Minister for Planning and Infrastructure done to solve the problem? She has thrown another \$50 million at the department. Land lots are not being made available in Western Australia for people to build houses on.

**Ms A.J.G. MacTiernan:** Can you just tell us in what way they are not being made available?

**Mr T. BUSWELL:** I will get to that in a second when I share some of the statistics that have been produced by the minister's own department and other observers to indicate that the number of lots on the market in Western Australia are at historic, never before encountered, low levels.

**Ms A.J.G. MacTiernan:** Why does that mean that it's the government not making the land available?

**Mr T. BUSWELL:** Because the minister's processes do not enable land to move from an unconditional subdivisional approval phase through the bureaucratic system that she has put in place with all these different regulations and rules, driven by philosophies espoused by people such as Peter Newman. It is non-functioning. The number of lots dropping out at the end of the process is a disgraceful indictment on the government's capacity to ensure land supply in this state. It is a fundamental responsibility of the minister.

**Ms A.J.G. MacTiernan:** Have you got those figures on the lots that are coming through?

**Mr T. BUSWELL:** I will get to them. Firstly, the problem cannot be solved by throwing more resources at it. Secondly, land supply is not about potential lot yield. Land supply is about lots that people can build houses on. If the minister says that the government has a supply of 300 000 lots for the next 18 years, and it has 40 000 lots with conditional subdivision approval, that means almost nothing.

**Ms A.J.G. MacTiernan:** I would like you to tell us what you would like to see changed.

**Mr T. BUSWELL:** I will tell the minister if I get through the other information I have to share with her. I want to present some information. For example, the Urban Development Institute of Australia has estimated that in the financial year to June 2006, the number of lots for sale in Western Australia fell by 85 per cent. In the last quarter of that financial year, property prices went up 37 per cent alone. There is a clear relationship between the contraction in supply and the increase in the price of residential land, which then flows into the increased price of established housing.

**Ms A.J.G. MacTiernan** interjected.

**Mr T. BUSWELL:** It is because the government is not approving the release of lots. In fact, the Urban Development Institute of Australia noted that in the week ending 28 July 2006 - so this data is not what one would call historically irrelevant - there was a record low of 47 blocks sold in one week. Looking to the year ahead, the same UDIA report says that every week it was expecting 600 home buyers to enter the Western Australian housing market, yet it was expecting only 4 000 lots to be made ready for sale over the year. That is a shortfall of 27 200 lots.

I will finish on the land supply issue by referring to some information provided by the Department of Land Information that shows a dramatic fall in land sales over the past three years, with a corresponding increase in price. I will give the minister some examples. In the June quarter 2004, 3 057 residential vacant lots, as opposed to houses, were sold in the Perth metropolitan area. Twenty per cent of those lots were valued at more than \$200 000. In the June quarter 2005, 3 259 lots were sold in the Perth metropolitan area. Twenty-five per cent of those were valued at more than \$200 000. In the June quarter 2006, only 1 945 lots were sold in the Perth metropolitan area.

**Ms A.J.G. MacTiernan:** Where are the lots going? This is really interesting.

**Mr T. BUSWELL:** Fifty-seven per cent of those were valued at more than \$200 000.

**Ms A.J.G. MacTiernan:** So it's the case of the disappearing lots.

**Mr T. BUSWELL:** The minister is responsible for getting lots onto the market. It is a simple responsibility. The minister is responsible for providing a little piece of Western Australia so that people who come to this state to work - all those immigrants that the Treasurer wants to bring over, and I think it is a great idea - will have a spot on which to build a home, and so that the children of the people of this state, when they come out of the family nest and want a spot to live, will have a spot to live. The minister is responsible for that.

The other aspect is that the dramatic decline in supply has been matched by a substantial increase in price. The facts are that, despite the minister's rhetoric, she has failed to address the land supply issue. She has failed to understand the impact that the increase in demand in this state would have. The subsequent result of that is that land prices have increased at a dramatic rate, and that has flowed through to house prices, and it is one of the main reasons that this state is in the dilemma that it is in today.

**Mr E.S. Ripper:** The member is from a free market party. Why hasn't the rise in price brought more lots onto the market? What's your diagnosis?

**Mr T. BUSWELL:** There is a thing, my friend, called the bureaucracy. That enormous bureaucracy is driven by the Minister for Planning and Infrastructure, who is advised by people such as Peter Newman. People come along and say that they have all this land; they want to subdivide it so that the poor folks of Western Australia can build a house in which to live on that land. It does not work, because it takes longer to get approval for a residential subdivision in this state than it takes to get approval to build an iron ore mine in the north west. That is the problem. I support the free market, but I also support a bureaucracy that lets people go about their business, and I support a bureaucracy that lets young Western Australians achieve that to which they aspire, which is often as simple as owning a home.

**Dr K.D. Hames:** Can I make an interjection, because I won't get to speak? Richard Lewis, when he first became minister and was in the same position as the current minister, absolutely worked his tail off. His clear focus was getting land onto the market so that this did not happen.

**Mr T. BUSWELL:** I will move on because I do not have a lot of time, and I can tell the minister is enthralled by the debate.

**Dr K.D. Hames:** I didn't take much time.

**Mr T. BUSWELL:** No. The member took at least 15 seconds. It is interesting. If the performance on land supply has been bad, the performance on state tax has been an absolute disgrace. The government has quite clearly used the property sector in Western Australia as a cash cow, which has funded a huge blow-out in recurrent expenditure. The minister can stand and talk about improved services. I do not see any. The minister can stand and talk about her infrastructure program. With the exception of the railway, I have not seen any

significant infrastructure programs. There is no doubt that the state tax burden that is being imposed on the property sector is having a significant impact on housing affordability. I will give a simple example in aggregate. When the Labor Party was elected in the 2000-01 financial year, the stamp duty take in this state was \$550 million. At the end of the last financial year, it was estimated to be \$1.8 billion. That is an increase of only 230 per cent; that is all. The land tax increase went from \$220 million to \$320 million, an increase of only 50 per cent, so the Treasurer might look to improve his performance on that front. I have often heard the Treasurer say that the reason the tax take has gone up in Western Australia is that property prices have gone up. The Treasurer says to me, "Are you stupid? If property prices go up, the tax take goes up."

**Mr E.S. Ripper:** What did you answer when I said that?

**Mr T. BUSWELL:** I said that when we drill down and look at what happens to individual properties, we see that we are exposed to somebody who is peddling a myth. I will give an example with median house prices. The rate of growth of stamp duty, in particular, on the median house price has far outstripped the rate of growth of the price of that house. For example, between 2000 and today, median house prices in Perth have increased by 162 per cent. If the Treasurer's argument is correct, we would have expected stamp duty to increase by 162 per cent over the same period. However, do members know what has happened to stamp duty? It has increased by 284 per cent on the same house, in the same street, being paid by the same family of Western Australians. It proves that the Treasurer's argument is fallacious, as are a number of the Treasurer's other arguments when it comes to tax. It proves it absolutely, because all the rates of tax were ratcheted up by the Treasurer during that period in two successive budgets.

There is an interesting little aside to stamp duty; that is, what the Treasurer is doing, in particular in the first home buyer market, is forcing people to borrow more money. Most people, and most first home buyers in particular, who buy a house go to the real estate agent's office, do the deal, work really hard to raise a deposit, and finally get to where they want to be so that they can borrow the money to buy the house valued at \$420 000. They then go to the settlement agent, and guess what happens? They get a bill with the Treasurer's smiling face on it for \$16 700. They must then go back to the bank and borrow that \$16 700 to pay the Treasurer. Does the Treasurer know what he is doing with stamp duty? He is forcing ordinary Western Australian householders to go into debt. That debt is then transferred to the Treasurer via the agency of stamp duty, and the Treasurer uses that money to fund the government's recurrent expenditure growth. By default, the Treasurer is forcing Western Australian households into debt to help fund his government's recurrent expenditure growth. When the Treasurer sits over there and gloats that the government has knocked debt down, I think it is a disgrace that he says that, when he knows damn well that every single first home buyer, or the vast majority of them, must borrow the \$16 700 that they need to pay the Treasurer's bill.

**Mr E.S. Ripper:** That's just wrong.

**Mr T. BUSWELL:** It is a fact that people borrow money to pay stamp duty, and it is a fact that the Treasurer sticks it into the government's coffers to pay his extra 18 public servants a day.

**Mr E.S. Ripper:** That is wrong.

**Mr T. BUSWELL:** On the median house price, every first home buyer pays \$16 700. I know it and the Treasurer knows it. However, if first home buyers purchase a home for the median house price in Queensland, they will not pay any stamp duty. If they purchase a home for the median house price in New South Wales, they will get a discount that is equal to 79 per cent of the stamp duty. One of the only Australian states that does not give first home buyers a discount on their stamp duty is Western Australia. The Treasurer refuses to do it. Why? It is because he used to quote the advice of his good mate Saul Eslake and say that the government supports the view that a government cannot give, in any kind of housing market, especially one like that in Perth now, any cut in stamp duty or any other form of direct cash assistance to home buyers because it will simply be reflected in higher prices?

**Mr E.S. Ripper:** That is absolutely right.

**Mr T. BUSWELL:** The Treasurer has been exposed because the Minister for Planning and Infrastructure did exactly that last week. She contradicted the Treasurer and exposed him last week. The Treasurer does not have a leg to stand on when he peddles that pathetic argument.

**Mr E.S. Ripper:** I stand by Saul Eslake's advice. It is absolutely right.

**Mr T. BUSWELL:** What is the Treasurer's advice to his minister? She has contradicted the Treasurer. The Minister for Housing and Works is the only one who has done anything. She goes into the suburbs and opens up land. We have never seen the Minister for Planning and Infrastructure out there. She is flat out in the inner city having her cappuccino and her glass of wine, and the Treasurer has been exposed as a fraud on this issue. Thank heavens the Minister for Housing and Works, the failed candidate for Premier, has had the courage of her convictions to get up and do something.

I will finish with a couple of quick points. Housing affordability is a critically important issue to the opposition and it is a critically important social issue in Western Australia. People in this state still aspire to home ownership, and this government is rapidly pushing that aspiration out of the reach of ordinary Western Australians. Government ministers talk about economic sustainability. If we cannot house the people whom we need to move to this state to allow us to take advantage of the good economic times that we are enjoying, we will not maximise this once-in-a-generation opportunity. The long-term economic growth of this state will be directly jeopardised by this government's failed policies on land release and its aggressive, oppressive property tax regime.

**MS A.J.G. MacTIERNAN (Armadale - Minister for Planning and Infrastructure)** [5.00 pm]: The member for Vasse had seven minutes to go, so I was waiting before I rose because I thought that perhaps we might get some insight into exactly what planning policies the member wants the government to change, but, alas, all we got was a lot of bluster and accusation.

**Mr T. Buswell:** And some facts and figures.

**Ms A.J.G. MacTIERNAN:** It was a mishmash of completely misunderstood facts and figures. I will go through some of them, but I will begin by saying that of course the government is extremely concerned about housing affordability. We are extremely concerned with the impact that the 14.5 per cent growth rate is having. We are seeing phenomenal growth in this state and of course there will be -

**Mr T. Buswell:** Is that 14 per cent growth in housing demand? What is it? Is it population growth?

**Ms A.J.G. MacTIERNAN:** There is 14.5 per cent economic growth in this state; 14.5 per cent growth in demand.

**Mr T. Buswell** interjected.

**Ms A.J.G. MacTIERNAN:** I listened to the member for Vasse and I would like the opportunity to answer some of his nonsense. The one thing we do agree on is that housing affordability is a very real issue. The government is concerned at the increase in land prices and house prices. Frankly, I do not think those prices will be sustained. I am very concerned that many people could go into a negative equity situation if the prices come off the boil rapidly. I am very concerned that many young people are being panicked into buying land when a lot of land will come onto the market in the next couple of years. We have to encourage people to be cautious rather than rush in and fuel this speculative boom.

**Mr T. Buswell:** What happens if they don't rush in and the prices keep going up?

**Ms A.J.G. MacTIERNAN:** My assessment is that that will not occur.

**Mr T. Buswell:** What do you base that on?

**Ms A.J.G. MacTIERNAN:** If the member shuts up for a minute and gives me an opportunity to respond, I will go through the issues. First, the gloomy economic scenarios that were painted by the member need to be contrasted with the base year that was given by the member. Certainly, house prices have gone up considerably since 2000, when the Liberal Party was in government. Likewise, employment rates and household incomes have gone up dramatically; in fact, the data that has been produced shows that Western Australia still has the second highest level of housing affordability when household incomes are compared with house prices. Although we are not complacent about the state of our economy, our 3.6 per cent unemployment rate and the fact that incomes have gone up dramatically, it needs to be borne in mind that, other than the rate in South Australia, Western Australia has the highest rate of housing affordability.

**Mr T. Buswell:** In the past year, average income growth in Western Australia has been about 4.8 per cent. Housing prices have gone up by about 35 per cent. How can you make that statement?

**Ms A.J.G. MacTIERNAN:** I am not accepting the member's figures on that basis, but I am prepared to say that the economic analysis that has been done shows that the growth rate in household incomes in Western Australia -

**Mr T. Buswell:** Will you table that chart?

**Ms A.J.G. MacTIERNAN:** I am more than happy to table the chart.

I want to respond to the member's primitive analysis. He has claimed that first home buyers are being forced out of the market. Interestingly, he made that claim by focusing on a percentage. He said that the percentage of home buyers in the market had decreased. He made the quite inaccurate deduction that because the percentage of first home buyers in the market had decreased, first home buyers were being forced out of the market. That is complete and utter nonsense, because the actual number of first home buyers has been increasing.

**Mr T. Buswell:** From when?

**Ms A.J.G. MacTIERNAN:** From 2000, when the first home buyer grant was introduced. That is the period for which we have accurate data. There were 17 800 applicants per annum between 2000 and 2005. In the past year, there were 18 413 applicants. In real terms, the number of first home buyers participating in the market has increased. The percentages have gone down because there has been an enormous burst in investor activity. That is something that the member has obviously not taken into account. Indeed, it is one of the factors that has created a huge problem in Western Australia. There has been a massive influx of investor activity in the area. In fact, 40 per cent of the investment by value being made in the housing sector is now being made by investors. That is a completely different landscape. The member's primitive economic analysis did not display that. Clearly, many people are earning -

**Mr T. Buswell** interjected.

**Ms A.J.G. MacTIERNAN:** I listened to the member and I want an opportunity to respond to some of his points. Many Western Australians are earning record incomes and, as a result, are buying second, third and fourth properties. We also know that there has been a massive influx of investment from the eastern states. People have seen the economic growth in Perth and have flooded into the market. That has fundamentally changed the dynamics of the market.

I want to talk about lots coming onto the market. The member for Vasse does not seem to understand that, by and large, the private sector has control of putting land onto the market.

**Mr T. Buswell:** But you have to approve it.

**Ms A.J.G. MacTIERNAN:** Exactly; we have to approve it. Our job is getting the approvals. However, we cannot determine the rate at which that land goes onto the market. I will demonstrate the absolute fallacy of the propositions that were put by the member that we are not getting those approvals through and that we have not increased, and increased very dramatically, the performance of the Western Australian Planning Commission and the Department for Planning and Infrastructure since the Labor Party came to government. Members should have a look at this graph. It makes it very clear who has been doing the heavy lifting to get these final approvals through. This graph is fact.

**Mr T. Buswell:** Are they lots that are cleared and ready for sale?

**Ms A.J.G. MacTIERNAN:** These are final approvals. These are lots that have been cleared and are ready for sale.

**Mr T. Buswell:** All cleared?

**Ms A.J.G. MacTIERNAN:** These lots are all cleared. These are lots with final approval; these are not lots with conditional approval.

**Mr T. Buswell:** What about services - water and power?

**Ms A.J.G. MacTIERNAN:** The member for Vasse is a cretin. He stands in this place and makes all these claims and when he is shown not to understand the thing he is talking about, he tries to talk me down. I can tell the member that final approval means lots ready for sale. These are lots on which no more work needs to be done before the titles can be issued. These are the figures. In the Liberal Party's last year in government, it released 7 500 lots. Last year, we increased that figure to 16 299. This is hot off the press. Members opposite have the idea that there were only two lots on the market. In July alone -

**Mr T. Buswell** interjected.

**The ACTING SPEAKER:** Order, member!

**Ms A.J.G. MacTIERNAN:** Our job is to get these lots approved. As the Deputy Leader of the Opposition has said himself, that is our job. That is what we control. We control the approvals process. In July, 1 267 lots were approved. In August, 1 430 lots were approved. On the basis of that, we would expect an annual yield of around 17 160 lots. We are trying to improve that even further. This graph shows dramatically that in the time we have been in government, we have more than doubled the number of approvals. So much for this crazy argument that because we give some thought to how we can best plan the city, and because we give some thought to the quality of the environment that we are producing for the people of Western Australia, we are holding up development. This graph shows clearly that the government has more than doubled the output in the past five years.

A raft of issues is at play here. Perhaps the biggest problem that we and the private sector face in getting lots onto the market more readily is that we have reached the maximum civil construction capacity. Land is being approved. As I have said, around 40 000 lots have been granted conditional approval. However, the biggest impediment to getting that land onto the market is the lack of civil construction capacity to put in the power and the sewerage infrastructure, and to put in the roads, footpaths and all the other things that people need before they can construct a house. There is no doubt that the housing industry is competing with the mining sector for

plant operators and the raft of skilled people who are required to create lots and to complete subdivisions, and that the civil construction sector is very tight. There is no magic answer to that problem. However, the evidence shows that it is not the failure to approve lots that is creating the problem. We have, in fact, more than doubled our capacity.

We are working with the private sector. We hear a lot about the problems that the private sector is experiencing with land approvals and planning processes. However, when we ask the private sector to show us what the planning issues are, somehow or other they become rather less tangible. A lot of people are seeking to put the blame on someone else. However, the problem across the system, in both the private sector and government, is that we are at maximum capacity in the rate at which we can churn out the lots. As members can see from the graph, final approval can be granted only after all the infrastructure has been put in and the lot has been created. In the space of five years, we have more than doubled the output. That shows just how quickly we have been able to ramp up our activity.

**Mr P.D. Omodei:** Will the minister please table that document?

**Ms A.J.G. MacTIERNAN:** Absolutely. I have no problem with that whatsoever.

[See paper 1929.]

**Ms A.J.G. MacTIERNAN:** We have been able to demonstrate that all the basic contentions that have been made by the Deputy Leader of the Opposition are wrong. We are doing a range of things. We are talking to all the land development agencies and asking them to bring forward any land releases that they can.

I now want to talk about why we think the market may cool off. As I have said, 40 per cent of the activity in the housing industry is by investors. The eastern states investors are getting clear advice that given how far the markets have dropped in Sydney and in certain parts of Melbourne, it makes more sense to invest in those cities. Therefore, I believe some of that eastern states investment in our market will dry up. The other factor that may act as a deterrent to investors is that the vacancy rate is beginning to increase. The anecdotal evidence from major rent roll agencies is that the vacancy rate is slowly creeping up. In the last quarter, the vacancy rate increased by 0.4 per cent. Also, there is beginning to be an increase in the number of homes coming onto the market. A month ago only 4 000 homes were on the market. Around 7 000 homes are now on the market. A month ago the average selling time was one week. The average selling time has now gone out to one month. These are clear signs that the market is beginning to take what I think is a much needed breath. We fully expect that if we can keep increasing the rate at which lots are given final approval and keep those lots coming on stream, and with the slowing down of the market, we will be able to cap costs. We certainly want to do everything we can to cap costs.

**Mr T. Buswell:** When you say cap costs, do you mean housing prices?

**Ms A.J.G. MacTIERNAN:** That is what we would like to achieve. However, obviously we are not in a command economy. The government certainly does not have control over that. I often say to young people who are thinking of panic buying in an inflated market that there have been many instances around Australia and the world when there has been a sustained drop in the market and people have found themselves in a negative equity situation. We do not want that to happen in Western Australia. We would very much like the market to cool so that that sort of cataclysmic situation does not arise in this state.

**Mr T. Buswell:** Just so that I understand, your view is that the indications are that the heat is coming off the property market.

**Ms A.J.G. MacTIERNAN:** I am pointing to a range of indicators that suggest - we cannot say this with absolute certainty - that there is likely to be a fall in demand. We are certainly not taking the brakes off. We will be continuing all our efforts to get as much land onto the market as possible. However, at the end of the day, a lot of these decisions are made by developers. We are getting clear feedback from some developers that they are now adopting a deliberate policy of backing off on the number of lots that they are putting onto the market, because they sense also that the market is about to drop.

**Dr K.D. Hames:** Can I ask when the minister will do that in Amarillo?

**Ms A.J.G. MacTIERNAN:** I have read a submission from the Minister for Housing and Works, and Amarillo has not yet been the subject of a metropolitan region scheme amendment or an environmental assessment. I think Amarillo is quite a few years down the track. There is much easier fruit on the tree to pick. We have put substantial additional money into planning. We have put more money into the environment portfolio. We have specifically allocated funds to allow the environment department to deal more rapidly with issues such as acid sulfate soil. We can continue to develop this - as we have done since we got into government - and the good times coincide with that. We have many projects. I do not need to tell the member that we have 18 000 hectares of zoned land without Amarillo, so there is certainly plenty of land.

**Mr T. Buswell:** The minister's view is not the view of industry.

**Ms A.J.G. MacTIERNAN:** We are able to show members the facts about what we can control. We are able to show what we have done. We are able to present totally verifiable evidence of what we have achieved. We do not run a command economy. We can approve these lots. We can show that we have more than doubled the output since we came to government. However, we are cognisant of the fact that we are all living with civil construction constraints that are making it very difficult to get these out at a faster rate.

I will talk about one further initiative that we are embarking upon. We believe that although land is an important part, we must also look at the costs of construction. We are working with a raft of providers of alternative housing stock, and looking at how we can get those products assessed and onto the market. I know the trogs on the other side are not very keen on any creativity or experimentation. However, we recently had an expression of interest process in which about 50 companies tendered for these projects. We will be setting up a display village in Seville Grove in Armadale that will show a raft of different products on the market that we believe will help deliver a far more affordable housing product. We are working on two sides: we are working on the supply of land and on the actual cost of construction. There are growing pains when there is a 14.5 per cent growth rate.

**MR E.S. RIPPER (Belmont - Treasurer)** [5.23 pm]: The Deputy Leader of the Opposition cited a lot of figures as he ran through lot approvals and prices. He provided all sorts of statistics. My colleague the Minister for Planning and Infrastructure described it as a mishmash of information.

**Ms A.J.G. MacTiernan:** Poorly analysed.

**Mr E.S. RIPPER:** Very poorly analysed. I believe that she was correct in that description of his contribution to this debate. What struck me about it was that the Deputy Leader of the Opposition was quite critical of what he thought was the performance of the planners in approving lots without ever once identifying any planning policy which ought to be changed, or any piece of land which ought to be developed and which, allegedly, this government is preventing the development of. I would have thought that if the Deputy Leader of the Opposition had made good value of the contacts he says he has in the development industry, he would have said, "But for this government policy, which I think ought to be changed, that piece of land could be developed," or "But for a decision of the Minister for Planning and Infrastructure or her officers, this area or this suburb could see so many more lots released." We did not have that sort of information. We simply did not have any suggestions for new policies or new planning approaches, and I think I know why. I do not think the opposition wants to even tackle the issue of changes to planning policies. I think the opposition wants to have its cake and eat it too. I think members of the opposition want to say that more land should be released without having to own up to and defend any changes to planning policy that they think might be necessary.

**Mr T. Buswell:** The Treasurer will get it soon enough.

**Mr E.S. RIPPER:** I am interested that the Deputy Leader of the Opposition is now promising us that sort of information. I would have thought that in moving the matter of public interest in the terms that he moved, he would have made some suggestion for a change in planning policy that he was prepared to defend.

**Ms A.J.G. MacTiernan:** The Deputy Leader of the Opposition also fails to understand that we have in fact doubled the yield. We have doubled the output since the opposition was in government.

**Mr E.S. RIPPER:** The Minister for Planning and Infrastructure, as is her often demonstrated capacity, completely wiped the floor with the arguments presented by the Deputy Leader of the Opposition.

**Mr P.D. Omodei:** If things were going so well, why did the minister have to have that housing or land summit?

**Ms A.J.G. MacTiernan:** There is a problem; of course there is a problem.

**Mr P.D. Omodei:** There is a problem now!

**Mr T. Buswell:** I thought she wiped the floor with me. Knock me over; we have a problem! And the minister has a trouble shooter.

**Mr P.D. Omodei:** Four months on and the government still has a problem.

**Mr T. Buswell:** I think the trouble shooter has got the wrong trouble.

**Mr E.S. RIPPER:** With the level of economic growth, prosperity and opportunities that we have in our community, and the level of migration to this state, issues in managing the boom will arise. This is one of those issues. No-one doubts that housing affordability is an important issue. No-one doubts that land supply is an important issue. This is one of the issues that the government is confronting in its management of the challenges of the boom.

Let me further correct the advice given to the house by the Deputy Leader of the Opposition. The Real Estate Institute of Australia measures housing affordability. It compares the median family income with average loan



repayments. It is true that on that measure there has been a decline in housing affordability in Western Australia. That ratio, on that measure, is at its lowest level since the early 1990s. However, on that very same measure, Western Australian housing is more affordable than in all other states except South Australia. Therefore, the measure shows not only a decline in housing affordability in Western Australia, but also that Western Australia is in a better position than is any other state except South Australia. There may well be problems with the validity of that measure. For example, it may not accurately show the impact of changing market conditions on lower income people; nevertheless, it is a measure of housing affordability that enables comparisons between the states, and that is the result. Secondly, the Deputy Leader of the Opposition moaned about what he apparently regards as a collapse of demand by first home buyers. I have responsibility for the department that issues the first home owner grants and I have the figures from that department. In 2005-06 there were 18 413 applicants for the first home owner grant. This is higher than the average number of 17 805 applicants per annum since the first home owner grant was introduced in July 2000. In other words, in the past year, more first home owner grants have been paid out than the average number of grants since the grant was introduced.

**Mr P.D. Omodei** interjected.

**Mr E.S. Ripper:** I have only two minutes left, so I cannot take any more interjections.

The monthly figures indicate that in August 2006, 1 377 applications were made for the first home owner grant. That figure is slightly lower than the monthly average number of applications of 1 480 since the first home owner grant was introduced. However, the monthly average number of first home owner grants paid out in 2003-04 was 1 199. More first home owner grants have been paid out in 2006 than were paid out each month in 2004. That is not evidence of a collapse in first home buyer demand. As my colleague explained, there has been an explosion of investor demand for housing, which has reduced the proportion of the market occupied by first home buyers, without reducing the absolute numbers.

**MR P.D. OMODEI (Warren-Blackwood - Leader of the Opposition)** [5.30 pm]: In the March quarter, affordability of homes for first home buyers in Perth fell by 8.1 per cent and deteriorated by 7.8 per cent in the rest of the state. In the year to March, first home buyer prices in Perth rose by 15.9 per cent and increased by 16.2 per cent in the rest of the state. The Deputy Premier and Treasurer just referred to Perth home prices. An article in last week's *The West Australian* headed "Perth house prices are near boiling point" refers to a report by broker Merrill Lynch that Perth homes have overtaken Sydney as the country's most expensive compared with household income levels and are now ranked behind only San Diego, San Francisco, Miami and New York on that measure.

The Treasurer is saying that he cannot give tax relief because things are boiling. On the other hand, the minister responsible for planning is saying that the land and housing markets are cooling. Which one do we believe? The truth of the matter is that we have a crisis in Western Australia with the amount of land available for home buyers. Obviously, all the first home buyers will receive the \$7 000 first home buyers grant from the federal government. Is that right; is it funded by the feds?

**Mr E.S. Ripper:** No, from us.

**Mr P.D. OMODEI:** That is good.

**Mr T. Buswell:** It comes from the GST.

**Mr E.S. Ripper:** It comes from us; it is state funded.

**Mr P.D. OMODEI:** When is the first home buyer grant negated? It is wiped out with stamp duty on homes worth \$303 000. On the median house price of \$420 000, a first home buyer will require a further \$16 000 for a deposit. The Treasurer should work out how much that will cost over a 25-year loan. It is a huge amount.

The Minister for Planning and Infrastructure said that 17 000 blocks of land are due to come onto the market and 18 000 hectares have been rezoned. The private sector has indicated that it is more likely that 4 000 blocks of land will be released. I saw the minister's graph when she was speaking at the local government conference in August. It was the week after an announcement that the median house price had increased from \$350 000 to \$420 000. The minister was using a chart with the old figures and she flicked through the slides very quickly. The number of lots available in 2006 went through the floor. The figures given to us by the Urban Development Institute of Australia show plainly that in September 2000 there were 3 430 lots on the market and the price of that land at that time was \$96 866. In June 2006 there were 337 lots on the market.

**Ms A.J.G. MacTiernan:** Where?

**Mr P.D. OMODEI:** Even the paper the minister tabled refers to a proposed government target of three times what it was in 2000-01; that is, 20 000 lots in Perth and Peel that were granted final approval. Can the minister confirm that they are lots ready for someone to build a house on.

**Ms A.J.G. MacTiernan:** Government processes have ended inasmuch as all the conditions on the sites have been cleared.

**Mr P.D. OMODEI:** They have received planning approval. There is still a long way to go to service those lots.

**Ms A.J.G. MacTiernan:** No. You asked a question and you will get the answer. There is conditional approval; this is final approval.

**Mr P.D. OMODEI:** I will take the answer only if I want it, so the minister should not yell at me.

**Ms A.J.G. MacTiernan:** This is final approval whereby all those processes have been completed and it is possible to obtain a title.

**The ACTING SPEAKER (Dr S.C. Thomas):** Order, minister!

**Mr P.D. OMODEI:** The truth of the matter is that a housing summit was held in June this year at which a range of issues were addressed. The minister played the role of a planning troubleshooter, and four months down the track the same problems prevail. We must ask ourselves why we have those problems. Let us look at the issues that need to be addressed. It was agreed during the summit that the underlying demand for residential land in WA should be reviewed and an audit of the available vacant residential land should be undertaken. UDIA at that time referred to land tax concessions on stocks of developed land that were held on 30 June to reduce the volatility of land supply. It recommended embracing local government reform to ensure that local governments could do more. We are given to understand from the sustainability of local government review that 83 per cent of local governments are unviable. How do they have the resources to ensure their planning schemes are up to speed?

**Ms A.J.G. MacTiernan:** That is not in the metropolitan area.

**Mr P.D. OMODEI:** Are none of those 83 per cent in the metropolitan area? I beg to differ and the minister knows I am right.

The other problem is duplication of the development approval process within government by self-assessment, private certification, civil engineering and so on and a review of Network city. What is the government's policy on Network city now? Where is Network city?

**Ms A.J.G. MacTiernan:** It is a very positive policy. It is our policy.

**Mr P.D. OMODEI:** What is the policy on higher density? Does the 60-40 rule still apply; that is, 60 per cent within the metropolitan area and 40 per cent outside?

**Ms A.J.G. MacTiernan:** That is definitely a target.

**Mr P.D. OMODEI:** The old metro plan cum Network city, which was trumpeted by the government, is not working and the minister knows it.

**Ms A.J.G. MacTiernan:** You should be happy because you don't like it.

**Mr P.D. OMODEI:** The minister has no firm plans. In fact, a range of problems exist in Western Australia. The first is the availability and release of land. As another member mentioned, when the coalition was in government and Richard Lewis was the Minister for Planning, 18 000 hectares of land was available. I can recall that at least half a dozen major metropolitan region scheme amendments created more available land. That is why 3 400 lots were available for sale.

**Ms A.J.G. MacTiernan:** There is heaps of land available.

**Mr P.D. OMODEI:** The minister should ask herself. This government is living off the land that was rezoned when the previous government was in power.

**Ms A.J.G. MacTiernan:** What nonsense. Why do you say that?

**Mr P.D. OMODEI:** The minister has admitted that a huge amount of land is available. What is happening? There are huge problems with the approvals process, whether that be within the Department of Environment, the Department for Planning and Infrastructure or local government. What has the government done? It is now September. A summit was held in June and the problems that we faced before remain.

Question put and a division taken with the following result -

**Extract from *Hansard***  
[ASSEMBLY - Tuesday, 26 September 2006]  
p6649e-6659a

Acting Speaker; Mr Troy Buswell; Ms Alannah MacTiernan; Mr Eric Ripper; Mr Paul Omodei

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Ayes (18)

Mr C.J. Barnett  
Mr D.F. Barron-Sullivan  
Mr M.J. Birney  
Mr T.R. Buswell  
Mr G.M. Castrilli

Dr E. Constable  
Mr M.J. Cowper  
Mr J.H.D. Day  
Mr B.J. Grylls  
Dr K.D. Hames

Ms K. Hodson-Thomas  
Mr J.E. McGrath  
Mr P.D. Omodei  
Mr A.J. Simpson  
Mr G. Snook

Mr T.K. Waldron  
Dr J.M. Woollard  
Mr T.R. Sprigg (*Teller*)

Noes (25)

Mr J.J.M. Bowler  
Mr A.J. Carpenter  
Dr J.M. Edwards  
Mrs D.J. Guise  
Mr J.N. Hyde  
Mr J.C. Kobelke  
Mr R.C. Kucera

Mr F.M. Logan  
Ms A.J.G. MacTiernan  
Mr J.A. McGinty  
Mr M. McGowan  
Ms S.M. McHale  
Mr N.R. Marlborough  
Mrs C.A. Martin

Mr M.P. Murray  
Ms M.M. Quirk  
Ms J.A. Radisich  
Mr E.S. Ripper  
Mrs M.H. Roberts  
Mr T.G. Stephens  
Mr D.A. Templeman

Mr P.B. Watson  
Mr M.P. Whitely  
Mr B.S. Wyatt  
Mr S.R. Hill (*Teller*)

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Pairs

Ms S.E. Walker  
Mr R.F. Johnson  
Dr G.G. Jacobs  
Mr D.T. Redman  
Mr G.A. Woodhams

Mrs J. Hughes  
Mr J.R. Quigley  
Mr A.D. McRae  
Mr A.P. O’Gorman  
Mr P.W. Andrews

Question thus negatived.