

**Address to
Australian Christian Lobby**

***“Home Truths: How Urban Planning is
Destroying the Great Australian Dream”***

**Canberra
23rd September, 2006**

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The story is told of the aircraft carrier SS Rockford. Out on navy manoeuvres one night, the senior officer on the bridge spotted a single light on a small vessel directly in the path of the giant battleship. The officer immediately jumped on the radio to the unknown craft and said, “This is the First Officer of the SS Rockford. Please alter your course 10° starboard.”

Immediately the reply came, “This is Able Seaman Smith. Request denied. Please alter your course 10° starboard.”

Incensed by this junior upstart the senior officer of the aircraft carrier repeated his request – as did the junior seaman. This brought the captain of the Rockford onto the bridge who radioed the vessel. “This is Commander Charles B Johnson. Alter your course 10° starboard immediately. This is the aircraft carrier SS Rockford.”

Came the reply, “This is Able Seaman Brett Smith. Alter your course 10° starboard immediately. This is the lighthouse.”

Families are the lighthouses of the world and we mess with them at our peril. In a sea of social uncertainty, the family represents a place of security, a place where the foundations are strong and the bearings are clear.

No other form of human association can match the profound benefits that come from being raised in a loving, functional and secure family environment.

During the 1960s and 1970s the question was asked, “Will the family survive?”, as small numbers of people pursued other models of communal living in which ownership, resources and the care of children was shared. Communes began to spring up in parts of regional Australia and in many other places around the world. However, despite the enthusiasm and idealism that drove the formation of these communities they were short-lived as the reality of communal living came home to roost. The questions raised about the future of the family simply faded away as people voted with their feet.

Australians want to marry. They want the security and commitment marriage promises both at a legal and emotional level. Marriage has stood the test of time not only for our generation but for every generation before us. It is not going away and there are some hints that it may even be growing in popularity as many young people - women in particular, grow dissatisfied with a lack of tangible commitment from their live-in partner.

A growing body of research published in ‘Why Marriage Matters: 21 Conclusions from the Social Sciences’ reports that marriage is good for your health, finances and wellbeing.

Drawing on two decades of research, the authors pointed to a wide array of positive benefits that result from marriage. In particular they noted¹,

"Marriage is more than a private emotional relationship. It is also a social good. Not every person can or should marry. And not every child raised outside of marriage is damaged as a result. But communities where good-enough marriages are common are better for children, women and men than communities suffering from high rates of divorce, unmarried childbearing and high-conflict or violent marriages."

There are many factors that contribute to a good marriage and a strong family life. Without doubt, love, trust and commitment is at the core. However, there are other factors that contribute significantly to an environment that strengthens family life.

One of these is home ownership. Home ownership affords the opportunity for members of a family to put down roots, to establish themselves as part of a community and to take control of their own destiny. However, the benefits of homeownership extend far beyond the simple acquisition of assets.

In his great 'Forgotten People' address in 1942, Sir Robert Menzies, identified the moral component of home ownership. Menzies recognized the moral, social and emotional importance of the family home.

"The material home," said Menzies, *"represents the concrete expression of saving 'for a home of our own.' Your advanced socialists may rage against private property (even whilst they acquire it); but one of the best instincts in us is that which induces us to have one little piece of earth with a house and a garden which is ours, to which we can withdraw, in which we can be among our friends, into which no stranger may come against our will."*

And Menzies matched his words with deeds. For more than 50 years the average Australian was able to buy their first home on the average wage.

Traditionally, the median house price was around three times the median household income. For example, when the median income was just \$1,000 per annum in the early 1960s one could buy a basic house on a basic block of land for \$3,000. When the median income was \$10,000 per annum in the 1970s the median house price was \$30,000. When the median income was \$20,000 per annum in the 1980s the median house price was \$60,000. And when the median income was \$40,000 per annum in the early 1990s the median house price in most capital cities was \$120,000.

Young couples got a start in the housing market and worked up from there.

Today, in Adelaide, Melbourne and Brisbane, the median house price is more than six times the median income and in Sydney and Perth more than eight times. The long-standing nexus between house prices and incomes has been broken.

The social and economic consequences and long-term ramifications of this change are horrendous and by and large not at all understood. For example, at six times median household income a family will fork out approx \$300,000 more on mortgage payments (principal and interest) over the life of a home loan than they would have had house prices remained at three times the median income. That's \$300,000 they are not able to spend on their children's education or family comforts or \$300,000 the family didn't need to earn and

mum and/or dad could have worked less, spent more time at home and not needed to spend money on childcare.

For those on middle and low incomes the prospect of ever becoming homeowners has now all but evaporated as they face the prospect of being life-time renters. The intergenerational inequity created by this imbalance may not be evident at the moment but in time it will be. As we all know, if you don't own your home by the time you retire you're in big trouble.

We heard a lot last night about values. Well what does it say about the values of a society that accumulates wealth at the expense of the next generation? Traditionally, wealth is transferred from the older generation to the next, younger generation. What we have done, for the first time in Australia's history, is taken the younger generations wealth and added it to our own. Wayne Swan said earlier, "As a nation, we've never been richer". If that is the case, why has the prospect of ever becoming homeowners all but disappeared for so many low and middle income earners?

What has caused this horrendous problem and what to do about it was the impetus for the establishment of The Great Australian Dream Project (www.greataustraliandream.net.au).

US cyclist Lance Armstrong once wrote a book, "*It's not about the bike.*" Well I'm here to tell you today that when it comes to housing affordability, "*It's not about the house!*" It's about the land the house sits on. Over the past five to ten years the price of residential land across Australia has nearly trebled. By comparison, the cost of building a new house on that land has hardly moved. Where land once represented 25% of the cost of a new house and land package, it is now 60%. This is a disaster for a family trying to build their first home.

The seeds of the housing affordability crisis we're now experiencing were sown back in the 1970s. Land was abundant, affordable and its management was largely left to market forces. It was in this environment that State and Territory Governments (of all political persuasions) introduced land management agencies to establish and manage 'land banks'.

When they were established, the aim of these government agencies seemed noble enough. They were charged with acquiring then holding large tracts of broadacre land so that a plentiful supply would be available to meet future homebuyer demand.

In South Australia for example, the agency was called the South Australian Urban Land Trust (SAULT), later to be called the Land Management Corporation (LMC), and its dual intention was stated as "*to provide an adequate supply of land*" and "*maintain land affordability.*"

It didn't take long however before the emphasis began to shift. As land supply began to dwindle - the result of government planning regulation and zoning, a rationing effect came into play and prices started to rise.

These price rises were more dramatic than most thought possible and at a time when first home buyers really needed help, the noble intentions that had underpinned the formation of these land agencies evaporated and soon another set of aims was being devised.

In South Australia, the LMC charter is now to "*maximize financial returns to Government*".² Now, note the not-too-subtle shift of emphasis from the interests of the buyer to the interests of the seller. From "*maintaining land affordability*" to "*maximising returns to Government.*" The LMC owns something like 90% of the developable land (undeveloped

land over ten hectares) within Adelaide's urban growth boundary. I heard the CEO of the LMC say just the other day he *supported* Adelaide's urban growth boundary. Well there's the surprise of the century. Of course he supports the urban growth boundary, LMC is an arm of Treasury. It's in the business of maximising financial returns to government. And urban growth boundaries are the surest way of limiting supply. The Government sets the rules, plays in the game and then decides who else can and cannot play against them. Not only that, they make millions from extra Stamp Duty as property prices rise. If that isn't a conflict of interest, I don't know what is.

State and Territory governments have made windfall profits at the expense of Australia's first homebuyers. According to their various Annual Reports, in 2004 the SA Land Management Corporation made a profit of \$38m, the WA Landcorp made a profit of \$45m, VicUrban made \$45m profit and the NSW agency Landcom made a whopping \$132m profit. Here in the ACT, the Land Development Agency also makes massive profits.

It is important to remember that the scarcity that propelled land prices is artificial. This so-called 'land shortage' is not real. It is the product of restrictions invoked through planning regulation and zoning. A drive on any sunny day to the outskirts of all our major cities will reveal that there is abundant land suitable for housing development. The so-called 'land shortage' is a matter of political choice, not of fact. Australia did not have to suffer this affordability crisis.

Perhaps we should be asking the ACCC to investigate the anticompetitive behaviour of these State and Territory Government Land Agencies. As with the Land Management Corporation's support for the urban growth boundary, it is in all their interests to keep out new entrants. Keeping out new entrants however is not in the best interests of either competition or consumers.

But as well as the profit motive, State and Territory Governments have been spurred along by an urban planning cheer squad which is obsessed with curbing the size of our cities and pushing a policy of urban consolidation. Between them they have excluded more low and middle income earners from home ownership than at any other time in Australia's history.

We have been overwhelmed by an urban planning plague that has entangled our lives, sapped our strength, added cost to every transaction and severely limited our potential as a nation.

The case for urban consolidation has been advanced on the back of a number of arguments – namely, that it is good for the environment, that it stems the loss of agricultural land, that it encourages people on to public transport, that it saves water, that it leads to a reduction in motor vehicle use and that it saves on infrastructure costs for Government. None of these, I repeat, none of these is true. The facts and evidence from around the world refute each and every one of these claims. Urban consolidation is not good for the environment, it doesn't stem the loss of agricultural land – Australia has an abundance of fertile land suitable for agriculture, it doesn't encourage people onto public transport, it doesn't save water, it doesn't lead to a reduction in motor vehicle use and it doesn't save on infrastructure costs. In fact building brand new infrastructure on the fringe is cheaper than renewing or upgrading old infrastructure in the inner suburbs that was not designed for higher density living.

Does anyone really believe that forced compaction of communities can lead to less pollution, less vehicle use and savings on urban infrastructure? Do environments where there are no back yards for children to play and no room for trees to grow really offer better

habitats than low density suburbanisation? Will people stop using their cars and hop on buses? Does a cost of housing that precludes low and middle income earners from becoming home owners really serve the greater interest of our society?

Nearly a decade ago Patrick Troy, Emeritus Professor at the Australian National University authored the book, *'The Perils of Urban Consolidation'* in which he squarely challenged the assumptions on which the urban consolidation principles are based. He pointed to flaws in the figures and arguments which have been used over and over again to support what is speciously called, "Smart Growth", and he argued that these policies will produce 'mean streets', not 'green streets'.

Evans and Hartwich, international researchers from Policy Exchange in the UK echoed these views in their recent paper entitled 'Unaffordable Housing', reporting that, "Low rise, low density housing is better for bio-diversity than farmland and high-rise, high density urban housing."

Now there's been a lot of publicity lately about bio-diversity and so-called 'Urban Dead Zones.' Naturally urban growth or 'urban sprawl' as they like to call it, has been blamed for this decrease in bio-diversity. So tell me, which do you think is better for bio-diversity:



This...



this...



this...



this...



this...



... or this.

The first five scenes are bio-diversity Dead Zones. The last scene, a typical outer suburban street, is a bio-diversity Live Zone.

I know a lot of this goes against the grain but it is incumbent on us to be honest and open about the facts. Scenes 1 - 4 are taken on the fringe of all our cities and are ideally suited to urban growth. We can have more bio-diversity, less air pollution, healthier children and more affordable housing if we go with scene No 6, not scenes 1 - 5.

Urban planners, by promoting urban consolidation and at the same time demonizing urban growth have inflicted enormous damage on the economy and society in general and all without any factual, scientific or intellectually sustainable arguments to back up their misguided dogma. Billions of dollars have been wasted and enormous pain inflicted on the community as a result. And all they ever say in defence of their ideology is "it depends on what you want our cities to look like." Well, if you ask me, they'd look a whole lot better without the traffic congestion, air pollution, destruction of biodiversity and high density infill projects which have destroyed the character of some of our most beautiful suburbs that they have inflicted upon us.

The economic consequences of all that has happened over these past few years have been as profound as they have been damaging. The capital structure of our economy has been seriously distorted and getting it back into alignment with reality will take time. But it is a realignment that is necessary. We cannot deny the rising generation a home of their own merely to satisfy the indulgences of town planners and State and Territory Treasury officials. We cannot deny ourselves the joys of grandchildren because the young women of Australia have to work to pay mortgages instead of raising a family. The joke that high mortgages are the new contraceptive is becoming no laughing matter. Young women used to be afraid of getting pregnant, now they are afraid of not getting pregnant. We have to get back to the situation where a couple can pay off a mortgage on one income so they can start a family in their late 20s, not in their late 30s or early 40s.

The history of State and Territory land management and urban planning policies and the extraordinary escalation in house prices which has taken place in our capital cities, particularly Sydney and Perth, in recent decades, has many important lessons for us.

From my perspective, that of a builder who has been in the industry for more than 30 years and who has seen what has happened from the inside, it was bleeding obvious that the cause of rising house prices was the squeeze on the supply of land for new housing on the urban fringes of our major cities. It is the most basic law of economics that if supply is constrained for whatever reason, the price will rise. And in this instance supply was not just constrained, it was strangled almost to death.

But more disturbingly, all our important economic institutions, the Reserve Bank, the Productivity Commission, the Commonwealth Treasury and every economic commentator in the land, refused to acknowledge that supply factors were the cause of rapidly escalating house prices and seemed interested only in demand factors such as capital gains tax breaks, negative gearing, interest rates, first home buyers' grants and so on.

We need to ask, therefore, how did we get this unanimity of wrong advice? And how can we try to ensure that it doesn't happen again?

While I have been banging on this drum for over ten years, it has been pleasing in recent months to see the Prime Minister, the Treasurer, and the Governor of the Reserve Bank, all

highlighting the way in which State and Territory Government restrictions on land supply have created this crisis.

To fix the problem for good and ensure that future generations do not suffer the same fate we need to do five things:

1. Where they have been applied, we need to remove urban growth boundaries or zoning restrictions on the urban fringes of our cities. Residential development on the urban fringe needs to be made a “permitted use”. In other words, there should be no zoning restrictions in turning rural fringe land into residential land.
2. We need to encourage small players back into the market by abolishing compulsory ‘Master Planning.’ If large developers wish to initiate Master Planned Communities, that’s fine, but don’t make them compulsory.
3. Allow the development of basic serviced allotments ie water, sewer, electricity, stormwater, bitumen road, street lighting and street signage. Additional services and amenities (lakes, entrance walls, childcare centres, bike trails, etc can be optional extras if developers wish to provide them and buyers are willing to pay for them).
4. Privatise planning approvals. Any qualified Town Planner should be able to certify that a development application complies with a Local Government’s Development Plan.
5. No up-front infrastructure charges. All services should be allowed to be paid for through the rates system ie pay ‘as’ you use, not ‘before’ you use. The inequity of up-front infrastructure charging is obscene. First home buyers on the urban fringe are subsidizing, through their electricity, water, sewer and council rates, the massive repair and upgrading of existing, older infrastructure in the inner suburbs in order to accommodate wealthy ‘in-fill’ homebuyers.

Now a lot of people have expressed concern that if more land is released on the urban fringe to allow first homebuyers back into the market it will depress existing house prices in the inner suburbs. Not so. There is a big difference between entry level first home ownership on the urban fringe and house prices in existing suburbs. The two subjects are quite different and an understanding of buyer behaviour in the property market is required.

People who want to live in the inner suburbs will not move to the urban fringe no matter how cheap the land is. And the sheer volume of housing stock tells us that lowering the price of new blocks of land on the fringes of our cities isn’t going to affect the price of ten million houses in the existing suburbs to any significant degree. Lowering the price of land also brings a whole new group of buyers into the market – renters who can now afford to buy in.

When we provide people with the opportunity of home ownership we provide them with much more than a house. According to international and national research, home owners:

- Have better health than their renting counterparts
- Their children do better at school
- They have greater self confidence
- They move less frequently
- They are more involved in their communities and
- Their children are much more likely to also become homeowners

Further, in communities where home ownership levels are high, crime is lower, household incomes are higher, community involvement is higher and some studies have even shown divorce rates to be lower.

Homeowners have a tangible stake in their community. They live where they choose and for as long as they choose. Unlike renters, they do not face the prospect of having to pack up the family and move on at the expiration of every lease. Nor do they face ever increasing rents for a property in which they will never have a stake.

While research may quantify the benefits of home ownership it only confirms what has been intuitively known for centuries, namely that home ownership promotes security and stability. In the words of CS Lewis, *“Urban areas are where the opportunities are.”*

The economic and personal security that comes from investing in your own home delivers, over time, a reduced housing cost and the wide range of future choices that come with having a valuable and tradable asset. When the time for retirement does come, people who own their homes have so many more choices than renters.

The cost of family breakdown, in both human and economic terms, is so great that we can ill-afford to maintain obstacles that make life more difficult for families. Restoring home ownership is critical to the best interests of Australian families and the nation as a whole will benefit from the removal of the tyranny of urban planning.

Given the vast social, emotional and economic benefits that flow from strong marriages and healthy family life, not only for individuals but for entire communities, we all have a stake in their success.

Ensuring that home ownership is the expectation of the many rather than the privilege of the few, is one of the most important and tangible ways in which we can encourage self-reliance and strengthen Australian families.

¹ Why Marriage Matters, 21 Conclusions from Social Sciences (authors)

² LMC Annual Report 2000