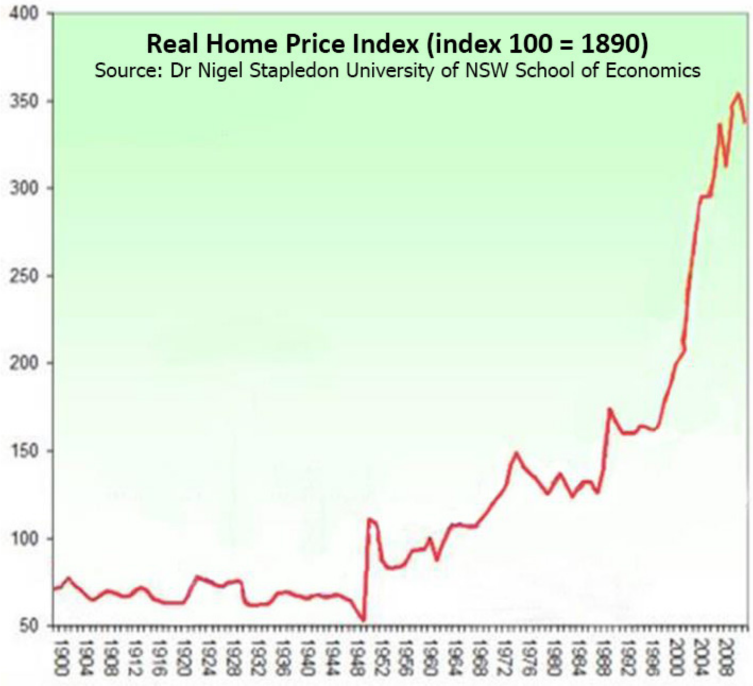
SUBMISSION TO:

# SENATE INQUIRY INTO AFFORDABLE HOUSING

*January, 2014*

**Senator Bob Day AO**

*Senator for South Australia*




***'The most important graph in Australia's history'***

## INTRODUCTION

For more than 100 years the average Australian family was able to buy its first home on one wage. The median house price was around three times the median income allowing young home buyers easy entry into the housing market.

As can be seen from the above graph, the median house price is now, in real terms ie relative to income, more than nine times what it was between 1900 and 2000. At nine times median household income a family will fork out approximately $600,000 more on mortgage payments than they would have had house prices remained at three times the median income. That's $600,000 they are not able to spend on other things - clothes, cars, furniture, appliances, travel, movies, restaurants, the theatre, children's education, charities and many other discretionary purchase options.

The economic consequences of this change have been devastating. The capital structure of our economy has been distorted to the tune of hundreds of billions of dollars and for those on middle and low incomes the prospect of ever becoming homeowners has now all but vanished. Housing starts have plummeted and so have all the jobs associated with it - civil construction, house construction, transport, appliances, soft furnishings, you name it. Not to mention billions of dollars in lost GST revenue to the States. And while the slump in business conditions over the past years have been blamed on everything from the GFC to the high Australian dollar the real culprit has been the massive redirection of capital into high mortgages.
And looking to the Reserve Bank to fix the problem through monetary policy ie lowering interest rates, isn't going to work.

The distortion in the housing market, this misallocation of resources resulting from the supply- demand imbalance is enormous by any measure and affects every other area of the economy. New home owners pay a much higher percentage of their income on house payments than they should. Similarly, renters are paying increased rental costs reflective of the higher capital and financing costs in turn paid by landlords.

The economic consequences of all that has happened over these past few years have been as profound as they have been damaging. The housing industry has been decimated as have industries supplying that sector. The capital structure of our economy has been distorted and getting it back into alignment is going to take some time. But it is a realignment that is necessary. A terrible mistake was made and it needs to be corrected.

## HIGH HOUSE PRICES: AUSTRALIA'S URBAN DISASTER

It was the best of times, it was the worst of times. For those fortunate enough to own their homes, 1995 - 2005 were boom times as personal wealth skyrocketed and family homes doubled in value. It was a very different story however for those on low and middle incomes stuck on the rental treadmill, seeing their hopes of buying their first home disappear into the mist.

1995 to 2005 was a decade in which the traditional relativity between average household incomes and median house prices was shattered, putting home ownership beyond the reach of a vast number of Australian families. Where historically the median Australian house price had been three times median household incomes, by 2005 it had risen to more than six times that level in all Australian capital cities, and housing affordability went into serious decline.

Home ownership has long been a feature of Australian life. The level of home ownership rose sharply in the postwar period from 53 per cent in 1947 to 70 per cent in 1995. Home ownership had become both a symbol of the equality we shared as Australians and a means through which average Australians could provide security and stability for themselves and their families while building wealth and claiming a tangible stake in their nation. For the vast majority of Australians, owner-occupation of the home in which they live was, and remains, a great ambition.

This aspiration, so deeply entrenched in the Australian psyche, was perfectly described by Sir Robert Menzies in his "Forgotten People" address of 1942. He recognised the moral, social and emotional importance of the family home:

*"The material home 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."*

Menzies understood that the human instinct to build and bequeath a home sent lasting ripples through every aspect of social and economic life. His government from 1949 to 1966 presided over a period of unprecedented growth in the level of home ownership.

In recent years however, a disturbing trend has emerged in the level of home ownership among young families. It is in substantial decline. We have witnessed, quarter by quarter, the erosion of housing affordability from 1995 onwards.

As the impact of rising house prices began to bite in the latter part of his tenure, Prime Minister John Howard often responded saying, *"I don't have people complaining to me about the increase in the value of their homes."* And this was true. Existing home owners were, for the most part, content with their new-found wealth as they reaped capital gains beyond their imagination and interest rates remained at historical lows. They used the equity they had in their homes to borrow big and their ambitious acquisition of investment properties caused, in the words of the Productivity Commission, *"overshooting"* in the housing market.

While existing home owners were big winners, first home buyers suffered. Home ownership was fast becoming the privilege of the few rather than the rightful expectation of the many, and the province of older Australians at the expense of the young. At the close of the Howard era affordability for first home buyers was the worst on record. In 1996 a first home buyer applied only 18.3 per cent of their household income towards servicing the purchase of their first home; by 2007 this percentage had grown to 30.7 per cent. Was the Howard Government to blame for this dramatic decline in housing affordability?

While influential bodies like the Productivity Commission and the Reserve Bank focused their attention on demand drivers like capital gains tax treatment, negative gearing, interest rates, readily accessible finance, first home buyers' grants and high immigration rates, few were looking at the real source of the affordability problem - land supply for new housing stock.

It is undeniable that demand factors played a role in stimulating the housing market and those factors were, for the most part, in the hands of the federal government. However, the real culprit, the real source of the problem, was the refusal of state governments and their land management agencies to provide an adequate and affordable supply of land for new housing stock to meet the demand.

The regulatory seeds of the housing affordability crisis were sown in the 1970s. Until then land was abundant and affordable, and the development of new suburbs was largely left to the private sector. These leafy pre-1970 suburbs with large allotments and wide streets are enduring testimony to the private sector's ability and to the traditional approach to urban development.

Into this environment strode state and territory governments of all persuasions as they introduced agencies to manage urban growth. The aim of these government agencies seemed noble enough - to ensure a plentiful supply of land to meet future housing needs.

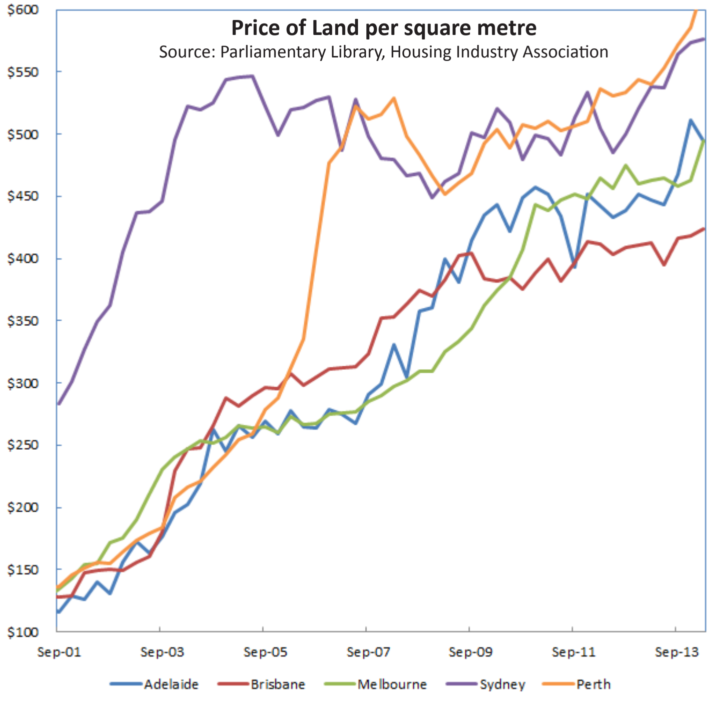
In South Australia for example, the South Australian Land Commission's primary aim, embedded in the Land Commission Act of 1973, was *"the provision of land to those members of the community who do not have large financial resources"*. The Act further made it clear that the Commission *"shall not conduct its business with a view to making a profit"*. In 1981 these noble motives were deleted from the legislation as the Land Commission was reconstituted as the South Australian Urban Land Trust under a new Act.

But worse was to come. As land supply began to dwindle in the mid-1990s - the result of government planning regulation and zoning, a rationing effect came into play and land prices started to rise. These rises were more dramatic than most thought possible, and at a time when first home buyers most needed help, the noble intentions that were used to justify the formation of these land agencies simply vanished and another set of aims was imposed.

In South Australia, the relevant authority, by this time known as the Land Management Corporation, had a mandate to *"maximize financial returns to government"*. Note the blatant shift of emphasis from the original mandate - from the interests of the buyer - *"those members of the community who do not have large financial resources"* to the interests of the seller, the Land Management Corporation; from *"maintaining land affordability"* to *"maximizing returns to government"*.

In 2007/2008 the Land Management Corporation recorded a profit of $121m. This from a Government agency established with a mandate to *"not conduct its business with a view to making a profit."*

Since its inception in 1973, the South Australian State Government's land agency has seen land prices rise from $15,000 per block (in current dollars) to $160,000 per block, more than a tenfold increase. By comparison, the cost of building a 135 square metre house increased from $97,000 in current dollars to just $102,000 over the same period, virtually no increase at all. Think about that for a moment - a ten-fold increase for a commodity (land) controlled by government (with a so- called "price containment" policy), compared with virtually no increase at all for a commodity (the house) controlled by the private sector (with no price containment policy). One can only conclude that had the private sector been allowed to manage land supply, like it has managed housing supply, we'd be enjoying land prices significantly lower than they are today.



This massive escalation in the price of land carries with it a multitude of detrimental impacts. Establishing affordable rental accommodation for those in greatest need becomes even more difficult for social and public housing authorities as they seek to purchase land and houses in a greatly inflated market. Road widening and major infrastructure projects experience cost blow-outs as land acquisition costs skyrocket, and establishing schools, community centres, health services and business facilities becomes difficult, and at times impossible. The whole community suffers as a result of increased tax, transaction, finance and establishment costs.

It is important to remember that the "scarcity" that drove up land prices is wholly contrived - it is a matter of political choice, not geographic reality. It is the product of restrictions imposed through planning regulation and zoning.

While state governments embraced the opportunity to garner windfall profits by stifling the release of land, they were also responding to a wider ideological agenda driven by a powerful planning community that sought to curb the size of our cities. "Urban consolidation" became the new mantra. Ludwig von Mises, one of the most notable economists and social philosophers of the twentieth century, made a striking observation about the power of those who seek to exert their planning influ- ence on the lives of ordinary people:

*"The planner is a potential dictator who wants to deprive all other people of the power to plan and act according to their own plans. He aims at one thing only: the exclusive absolute pre-eminence of his own plan."*

Urban planners, by promoting urban consolidation and at the same time demonising urban sprawl, have inflicted enormous damage on the economy and society. 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 what you want* *our cities to look like."* Well, they'd look a whole lot better without the traffic congestion, air pollution, destruction of biodiversity and those high-density infill projects which destroy the character of some of our most beautiful suburbs - delightful suburbs which were developed before urban planners were even invented and were constructed by people advancing their own interests, rather than pursuing some social engineering agenda.

Whenever there is money to be made, opportunities to do business with governments present themselves – particularly in tightly controlled markets like land. Relationships between business people and governments is as old as regulation itself.

But what gives these relationships real potency is what's called the 'Baptists and the Bootleggers' phenomenon. The term stems from the Prohibition days, when members of the government received private donations from Bootleggers - business people eager to maintain the scarcity (and resulting high price) of their product (alcohol). These same MPs then justified maintaining the prohibition by publicly adopting the moral cause of the Baptists who were extolling the evils of the product. So it is with land development. MPs receive donations from property developers keen to maintain the scarcity of the product (land), which results in higher property prices. The MPs then publicly support urban planners who rail against the so-called evils of urban sprawl, none of which stands up to scrutiny. The resulting urban growth boundaries, which force people into high density housing developments in the inner suburbs, are a classic example of the Baptists and the Bootleggers phenomenon at work.

The problem is, it is young home buyers, hit with the spiralling costs of home ownership who end up paying. They are mostly forced into overpriced units and will never be able to afford the primary ambition of more than 90% of Australians – a free-standing family home of their own.

But the benefits of allowing people to buy a new home on the urban fringe greatly outweigh any perceived disadvantages of living a long way from the CBD. For a start, most people don't work or shop in the CBD.

Now the case for urban consolidation was 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 onto 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. While all of these claims are false they have become "common wisdom" and few have had the courage or the insight to challenge them.
One of those few is Patrick Troy.

In his 1996 book *The Perils of Urban Consolidation,* Patrick Troy, Emeritus Professor at the Australian National University and a leading thinker on urban planning, 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" as 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."*

Much has been written 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.

One need only look at the scenes below to recognise that the detractors of urban sprawl have it wrong with respect to bio-diversity. Is it the environments depicted in scenes 1-5 that create greatest biodiversity or the flourishing vegetation of suburbia in 6?


Scene 1


Scene 2


Scene 3


Scene 4


Scene 5


Scene 6

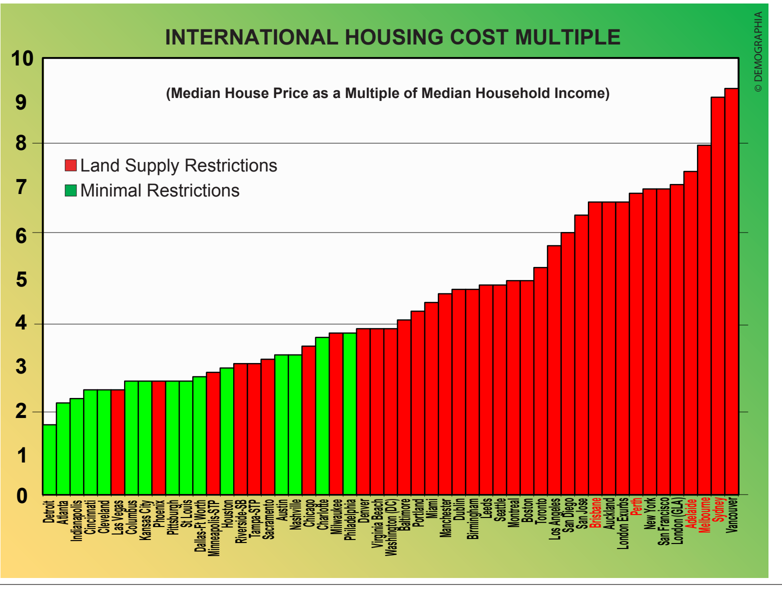
I know a lot of this goes against the grain but it is incumbent on us to be honest and open about the facts. Scenes 1 - 4 are taken on the fringe of all our cities and are ideally suited to urban growth. We can have more bio-diversity, less air pollution, healthier children and more affordable housing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

The wholesale adoption of urban consolidation policy by those in the planning and legislative fraternities led to a rash of planning regulation responses that further stifled supply. Urban growth boundaries, zoning restrictions and a host of other planning and building instruments became the order of the day as governments, shire councils and their planning operatives sought to throw a corset around the body of our cities.

This policy of urban consolidation dramatically slowed land supply at a time when the market was demanding it. As happens when the supply of any valued commodity is constricted, the price went up. The land rush was on and land prices increased by astounding multiples.

The link between land rationing policies and housing affordability has been clearly demonstrated. In the 2006 Demographia International Housing Affordability Survey of the 100 major urban markets in Australia, Canada, Ireland, New Zealand, United Kingdom and United States the correlation was expressed as follows:

> *"A growing body of research indicates that the proximate cause of the extraordinary house price escalation in the unaffordable markets is government policies that create land scarcity. These policies, which range from so-called "smart growth" policies that prohibit housing on large swaths of land to government land hoarding, are to be found throughout the markets rated as "severely unaffordable". At the same time, much lighter land regulation is typical of the "affordable" markets."*



The first, and major, step in restoring housing affordability lies in governments stepping aside from the land management role and allowing the natural forces of supply and demand to return to the market. It is only as adequate supply returns to the market that land prices will fall. Urban growth boundaries must be removed and the abandonment of the insane notion of “x” years supply of land available. The home buying public will decide how many years’ supply of land there is, not the government. The removal of urban growth boundaries and other restraints on land use is equally important for landowners. These boundaries and planning restraints effectively ‘nationalise’ their land preventing those with land outside the boundaries from obtaining a fair value for it. It further inflates the value of land within the boundaries resulting in wasteful lobbying to have land rezoned. Corruption of public officials in dealing with zoning changes is not uncommon.

Another factor that contributed to land price hikes during this period years was the way “up-front” infrastructure costs, fees, taxes and charges were applied by state and local governments. In some capital cities, these charges added more than $100,000 to the price of a finished allotment. The question of infrastructure costs of growing cities - in particular who should pay for new infrastructure on the urban fringe is often raised. The answer is obvious - home buyers. But this is the wrong question. The question is not “who should pay?” but “***when*** should they pay?”

Local government believes home buyers should pay ‘up front’ for the cost of their infrastructure. Others, like myself, believe home buyers should not have to pay for their infrastructure ***“before”*** they use it but should be allowed to pay for it ***“as”*** they use it as was the case in previous generations. It is simply
not equitable to expect young homebuyers – those least able to afford it, to pay for the cost of infrastructure before they’ve used it when existing home owners who live in established suburbs (many of whom do not even have mortgages) were not asked to pay for their infrastructure before they used it but were able to pay for it “as they used it” through their rates. First home buyers on the urban fringe are now 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 wealthier 'in- fill' homebuyers.

Leaving aside the fact that infrastructure developed to accommodate 1,000 to 2,000 people per square kilometre simply cannot now withstand housing densities double that number, the cost of upgrading existing inner suburban infrastructure is significantly greater than the cost of providing brand new infrastructure on the urban fringe.

By 2000, the alarm bells were starting to ring. Worsening housing affordability was giving rise to talk of the death of the "Great Australian Dream" and it had become apparent to the federal government - and to any casual observer, that something was seriously wrong in the housing market. In an endeav- our to get a grip on what was happening, the then Treasurer, Peter Costello, initiated in August 2003 a Productivity Commission inquiry to investigate the affordability of housing for first home buyers - the Productivity Commission Inquiry into First Home Ownership.

Clearly, there were plenty of home buyers in the market and those buyers were prepared to pay whatever it took to buy their property of choice - however, these were not first home buyers. They were people who already had homes and were simply adding to their investment portfolio. Given the inquiry was supposed to be about "first home ownership", the Productivity Commission's focus on existing house prices was puzzling. In short, they were looking in the wrong place.

First home ownership is about getting a start in the housing market. In a modern, growing economy, that can really only happen on the urban fringe. The rising price of inner suburban houses has been

caused by growing demand from a growing population and a growing economy for a finite supply of goods - that is, lots of people all wanting to buy the same houses. There is little governments can, or should, do about the price of goods that are forever increasing in demand. But there's a lot they can and should do about fringe development, where there's an infinite supply of land available and a housing industry ready, willing and able to put top quality houses on it at unbelievably low prices.

Now a lot of people have expressed concern that if more land is released on the urban fringe to allow first home buyers 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.

In an address to the Centre for Independent Studies in 2006, Gary Banks, the Chairman of the Productivity Commission, painted the backdrop to the inquiry, noting that in the years between 1996 and the instigation of the inquiry, house prices had risen by 80 per cent in real terms, with half of that increase coming in the three years leading to the inquiry. Banks pointed to this having been the longest and cumulatively largest price surge on record and emphasised the decline in first home buyers, with a halving in the share of new housing loan approvals going to first home buyers - down from 14 per cent to just 7 per cent.

Banks reported that the Productivity Commission inquiry concluded that the dominant cause of the price growth observed from the mid-1990s was a general surge in demand driven by falling interest rates and rising incomes to which supply was *inherently* incapable of responding. I categorically reject this assertion. The land development and housing industries were not "inherently" incapable of responding at all. In fact, quite the opposite, they were ready, willing and able to bring on substan- tial volumes of new housing stock - all that was required was for the state government land management agencies to put the land they controlled on the market. In addition, and to ensure an unlimited supply of land, state governments needed only to remove urban growth restrictions on the outskirts of their capital cities. There was, and still is, nothing "inherently" restricting the supply of new housing in Australia.

Banks went on to make the point that housing affordability worsened

further after 2003 and prices reached levels beyond what could be explained in terms of purchasing power and demographics.
Evidence of price "overshooting", plus scope for the housing supply to respond over time, led the Productivity Commission to predict that an improvement in affordability through a market correction would occur.

Banks should have known better. In 1993 he authored a report on urban development ("Taxation & Financial Policy Impacts on Urban Settlement") which looked into these matters - the matter of land supply in particular.

The Productivity Commission Report into First Home Ownership was a disaster. The report removed any last vestige of hope that the culprits of the housing affordability crisis would be exposed or that real policy solutions would be pursued.

The consequence of the Productivity Commission's failure was that state governments, many of which were stifling land supply through their planning and regulatory mechanisms simply to make money, were let off the hook. State governments were reaping windfall profits on land they had purchased cheaply while first home buyers were left high and dry.

The finding also left the federal government with a major problem. Having instigated the inquiry it was now stuck with its findings, and those findings pointed the finger at the areas over which the federal government had greatest control. State governments wasted no time in using the findings to justify their own approach and to attack the federal government.

One might well ask how the Productivity Commission got it so wrong. It seems clear now that the views of the Reserve Bank of Australia about the effect of demand stimulators on the housing sector had a significant influence in shaping the Commission's findings. As head of Australia's "economic family" - the Reserve Bank, the Commonwealth Treasury and the Productivity Commission, the Reserve Bank must share much of the blame for the housing crisis. We have here a classic case study of how, on occasion, the Reserve Bank can get it wrong, and more importantly - or more disturbingly, when they do get it wrong, no one dares challenge them.

Thankfully, the views of the Reserve Bank have changed since the release of the Productivity Commission report. In August 2006 the then Governor of the Reserve Bank, Ian Macfarlane, offered the following evidence to the House of Representatives Standing Committee on Economics, Finance and Public Administration:

*"Why has the price of an entry-level new home gone up as much as it has? Why is it not like it was in 1951 when my parents moved to East Bentleigh, which was the fringe of Melbourne at that stage, and where they were able to buy a block of land very cheaply and put a house on it very cheaply? Why is that not the case now? I think it is pretty apparent now that reluctance to release new land plus the new approach whereby the purchaser has to pay for all the services up front - the sewerage, the roads, the footpaths and all that sort of stuff, has enormously increased the price of the new, entry-level home."*

And this from Anthony Richards, Head of the Reserve Bank's Economic Analysis Department in March 2008:

*"In principle, the price of housing should be close to its marginal cost, determined as the sum of the cost of new housing construction, land development costs, and the cost of raw land. And in the absence of any restrictions on supply, the price of raw land on the fringes should be tied reasonably closely to its value in alternative uses, such as agriculture. So unless there has been a marked increase in the value of this land when used for other purposes, the availability of additional land towards the edges of our cities should have limited increases in the cost of housing there."*

That the Reserve Bank ultimately arrived at these conclusions is not surprising. The tragedy is that they arrived at them too late. One only needs to consider the exponential demand for mobile phones, laptops and plasma televisions that arose during the same period to realise that increased demand does not necessarily lead to an increase in price. In the case of mobile phones, laptops and plasma televisions the rise in demand vastly exceeded the demand for housing, however due to an even greater supply of these goods their prices actually fell - in some cases by more than half.

The distortion in the housing market resulting from the supply-demand imbalance is enormous by any measure and affects every other area of the economy. New home owners pay a much higher percentage of their income on house payments than they should. Similarly, renters are paying increased rental costs reflective of the higher capital and financing costs in turn paid by landlords.

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 distorted to the tune of many hundreds of billions of dollars and getting it back into alignment 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 ideological fantasies of urban planners and the financial concerns of 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, as they approach 40, 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.

One of the more pernicious aspects of high land prices ie high mortgages, is the forced misallocation of capital and family income into mortgage payments instead of higher standards of living, assets, goods, travel, children's education, appliances or even foregone income to spend more time at home.

In creating the conditions for home ownership to become the privilege of the few rather the rightful expectation of the many, state governments have produced intergenerational inequity and breached the moral contract between generations. In human affairs this imprecise, and at times neglected, moral contract between generations dictates that we should leave things better than we found them. When it comes to home ownership the contract has been breached. In making home ownership much harder for the next generation we have denied them much more than a home. We have denied them the security and benefits that go with home ownership and the opportunity to build wealth that will provide them with options in later life. Many are now choosing to defer having a family in the hope that they will be able to somehow put together the funds to buy a home later in life. If they can't afford to buy a house, they certainly can't afford to have children! Buying a home on one income is now way beyond the capacity of most Australians.

Other benefits that flow from home ownership are also being denied those priced out of the market. National and international research confirms what we intuitively know, namely, that home owners have better health than their renting peers, 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 also more likely to become home owners. In addition, they have significantly greater wealth and in communities where home ownership levels are high, crime is lower, household incomes are higher and some studies even show divorce rates to be lower.

Home owners 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.
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.

Peruvian economist and author of ‘The Mystery of Capital’, Hernando de Soto, has pointed in particular to the way in which property rights and property ownership have provided a foundation for the development of nations to the benefit of ordinary citizens:

“Legal property gave the West the tools to produce surplus value over and above its physical assets. Whether anyone intended it or not, the legal property system became the staircase that took these nations from the ‘universe of assets’ in their natural state to the ‘universe of capital’ where assets can be viewed in their full productive potential.”

When the time for retirement comes for older Australians, those who own their homes have much more control over their lives than renters. They can choose where they will live and how they will live.

With changing demographics (the number of taxpayers supporting non-taxpayers), it is imperative that people own their homes by the time they retire. Future pensions will never be able to meet mortgage or rent payments. This means getting a start somewhere - and the only place feasible for low and middle income earners is on cheap land on the urban fringe.

While the natural scarcity that arises from competition for properties in desirable locations will always result in price inflation, it is the regulated scarcity on the fringes of our cities that has been at the heart of the problem. The outer suburbs are where first home buyers have traditionally got their start as land in these areas has been plentiful and affordable. Now it is neither, and first home buyers of moderate means have no place to start.

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, urban growth boundaries or zoning restrictions on the urban fringes of our cities need to be removed. 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. Small players need to be encouraged 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 the developer wishes to provide them and the 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.

Given the vast social and economic benefits that flow from homeownership, restoring housing affordability should once again become one of our nation's most important priorities.

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