

ALP house savings don't add up: Costello

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Labor believes its \$500million Housing Affordability Fund, unveiled yesterday, can cut the cost of a new home by up to \$20,000 but Treasurer Peter Costello says the saving is likely to be much less than \$1000.

The new fund, to reduce the costs of housing-linked infrastructure, is estimated to assist up to 50,000 new-home buyers over five years.

Opposition Leader Kevin Rudd has drawn a series of distinctions from the Government in the housing portfolio and is expected to produce more new policies before the election.

Mr Rudd said local councils would compete for funds that would be available for new dwellings in both new land releases and in-fill developments.

The Housing Industry Association welcomed Labor's plan, saying it mirrored the association's proposal for a residential infrastructure fund.

But Mr Costello said Labor had its numbers wrong because about 150,000 new homes were released every year in Australia.

"\$500 million over five years will lead to a cost reduction of about \$645 a home," he said. "Even if the amount were passed on in full, the saving on a \$300,000 home would be about \$645. It's not a large amount."

He said Labor's announcement showed Mr Rudd had acknowledged that state Labor governments were a significant part of the problem.

"He wants to get federal taxpayers to pay state government taxes," Mr Costello said. "It'd be better if they reduced those state taxes in the first place."

Prime Minister John Howard devoted his weekly radio message yesterday to housing affordability, attacking Mr Rudd's pledge to abolish the Australian Building and Construction Commission.

Mr Howard said that the commission had cut down militant unionism, reducing residential housing construction costs by 3 per cent. "This equates to almost \$10,000 on the cost of a \$300,000 family home," he said.

Mr Rudd noted that the Property Council of Australia had estimated that state and local government housing-linked infrastructure charges cost as much as \$68,000 per home in Sydney's north-west and \$44,000 in Sydney's south-west.

The NSW Urban Taskforce, representing developers, buildings and property financiers in the state, said the fund would "fast-track the release of homes in Sydney's growth centres".

Chief executive Aaron Gadiel said, "At the moment almost no lots for new homes are being released because of local and state government infrastructure charges.

"These charges add up to \$110,000 for a fully serviced lot that sells for only \$300,000."

Under the Labor plan, local governments will apply through a competitive process to receive grants to cover some of the cost of new housing infrastructure.

"Of course, any innovative, development-specific proposals from state governments that significantly cut development costs will also be considered under this plan," Mr Rudd said.

Mr Rudd highlighted the impact of interest rates on housing affordability, saying, "We have had eight interest rate rises in five years and looking ahead, unbridled and accelerating inflation threatens further interest rate rises."

Four rises since the last election had added almost \$3000 to interest repayments a year for an average loan on a median priced home "or almost \$73,000 to the overall cost of a mortgage".

The HIA's new-home sales figures, also out yesterday, showed a 0.8 per cent easing in the sale of new homes and units among Australia's largest builders and developers.

Chief economist Harley Dale said the numbers represented "a considerable weakening in conditions over 2006-07".

"This update is a telling indictment of the impact record low housing affordability is having on the home-building industry," he said.

"Addressing the shortfall in supply is critical to alleviating the housing affordability crisis".