

Opening Statement
Parliamentary Hearing on Housing Affordability and Supply
17 November 2021
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I want to make two points in my introductory comments.

First, planning restrictions are a big reason that housing is so expensive. Second, the Commonwealth government should reduce that problem by providing financial incentives to state and local governments.

With respect to the first point, there is a mountain of research, both in Australia and overseas, that shows planning restrictions substantially boost housing prices. There is a strong expert consensus which is reflected in official reports. Examples just from the past few months include surveys of the Australian economy by the OECD and the IMF and the NSW Productivity Commission's White Paper. The CIS submission lists many more reports with similar conclusions.

I acknowledge that several submissions to this inquiry disagree with the expert consensus. In my view, these disagreements reflect simple misunderstandings that are not taken seriously by people who have looked closely at the issue. I hope we can discuss some of these misunderstandings in questions.

To be clear, no-one argues that supply restrictions are the only cause of high house prices. Of course, low interest rates and immigration matter. Yet many submissions to the inquiry, including several on the program for today, characterise our position in extreme terms so they have a straw man to knock down. I trust the Committee will see through that.

Land use regulation is the responsibility of State and Local Governments, so is outside the direct control of the federal government. Nevertheless, the Commonwealth government can encourage better regulation by creating better incentives for good policy. For example, the Commonwealth could make grants proportional to dwelling completions.

There are several reasons why the Commonwealth should do something like this.

First, there is a co-ordination problem. States and local governments incur most of costs of extra development, for example, congestion, schools, hospitals. However, housing affordability and other benefits are distributed nationally.

Second, but closely related, the need for extra housing is driven in large part by high immigration. This is a Commonwealth Government decision that boosts Commonwealth revenues. It should share the burden of housing that extra population.

Third, the Commonwealth already spends billions of dollars every year on programs ostensibly aimed at housing affordability. Many of these programs are of questionable value. That money would be better spent directed at planning reform or being conditional on increased supply.

This is a policy that has been recommended in many submissions to the inquiry, including those from the Centre for Independent Studies, the Grattan Institute, the UDIA, Urban Taskforce, Master Builders, Property Council, the NSW Productivity Commission and probably others that I haven't read. This policy is also recommended in both the OECD and IMF reports.

I hope the Committee gives it serious consideration. I am happy to answer questions.