

Leaders Ignore Economic Reality

Despite recent calls to address Australia's severely unaffordable housing, the issue of our ailing home building industry has received very little attention in the lead up to the Federal Election. However it was brought in to the spotlight during the second leaders' debate, thanks to a question posed by a Queensland builder: "what do the parties plan to do to revitalise the home building industry to help it plug some of the gap that's been left by the resources sector?" It's a question of far greater weight and complexity than you might think, and one that was largely ducked by both leaders.

The mining investment boom has played a tremendous role in boosting the Australian economy post GFC. The McKinsey Global Institute estimates more than 90% of income growth in Australia since 2005 has been as a result of mining investment and the high terms of trade. With these projected to fall rapidly over the next several years, the Australian economy is facing a massive hole when it comes to jobs and growth. Both Treasury and the Reserve Bank have recognised the need for the non-mining sectors of the economy to pick up the slack, and with little room for growth in the languishing retail and manufacturing sectors, it looks like the housing and construction industry will need to step up.

So, what solutions did the two leaders offer to help guide our economy through this adjustment? First to answer was Mr Abbott, and admitting that he didn't have a full response, he simply said that he'd abolish the carbon tax and restore the Australian Building and Construction Commission (ABCC). Kevin Rudd acknowledged the importance of the construction industry to the economy, mentioned low interest rates, and outlined a number of the Government's former initiatives, but largely failed to address the question.

Whilst the factors mentioned certainly do have a considerable impact, both the responses really fail to address the biggest barriers facing the housing and construction industries. Barring cyclical fluctuations, the construction of new homes in Australia has been in decline for well over a decade, despite rapid population growth. It was an issue long before the carbon tax was implemented and the ABCC disbanded a little more than a year ago, as well as all throughout both of the Labor Government's two most recent terms.

So what is stopping us from building more new homes in this country? There are four major issues that must be solved; providing adequate community infrastructure to meet the needs of new residents, releasing enough land in our cities to keep up with population growth, and ensuring that red tape and taxation on new homes is not excessive.

Of course these are complex issues, and there is no easy fix, but if as a nation we're serious about ensuring a strong economy and giving all people access to affordable housing, then we need to start somewhere. What we really need is a Government willing to make the tough decisions and commit to long term action for the benefit of the economy and the community. Whilst the responses we've seen so far have been disappointing, there's still enough time before the election for both parties to commit to the genuine reforms that will make a real difference in this critical part of our economy.

Julie Katz is the National President of the Urban Development Institute of Australia (UDIA), and CEO of The Planning Group.