



FINANCE AND ADMINISTRATION COMMITTEE

Members present:

Mr W.E. Wendt MP (Chair)
Ms R.M. Bates MP
Hon. D Boyle MP
Mr M.J. Crandon MP
Ms P-K. Croft MP
Mr R.A. Stevens MP

Staff present:

Ms D. Jeffrey (Research Director)
Ms J. Mathers (Principal Research Officer)

INQUIRY INTO THE BUILDING BOOST GRANT BILL 2011

TRANSCRIPT OF PROCEEDINGS

WEDNESDAY, 12 OCTOBER 2011

Brisbane

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Committee met at 10.45 am

CHAIR: Good morning ladies and gentlemen. We will commence this public hearing. I declare this public hearing of the Finance and Administration Committee's inquiry into the Building Boost Grant Bill 2011 open. My name is Wayne Wendt. I am the chair of the committee and the member for Ipswich West. The other members of the committee are: Mr Ray Stevens MP, deputy chair and member for Mermaid Beach; Ms Ros Bates MP, member for Mudgeeraba; the Hon. Desley Boyle MP, member for Cairns; Michael Crandon MP, member for Coomera; and Ms Peta-Kaye Croft, member for Broadwater. We also have Jo, Deb and Marilyn, our research team, and Hansard here as well. They do a fantastic job for us.

The purpose of this hearing is to enable the committee to get a better understanding of the impacts of the Building Boost Grant Bill. The bill was referred to the committee on 8 September. The committee is interested in the practical implications of the policies being put into effect in the bill.

This briefing is a formal proceeding of the parliament and is subject to the Legislative Assembly's standing rules and orders. The committee will not require evidence to be given under oath, but I remind witnesses that intentionally misleading the committee is a serious offence. I remind all those attending the briefing today that these proceedings are similar to the parliament to the extent that the public cannot participate in the proceedings. In this regard, I remind members of the public that, under the standing orders, the public may be admitted to or excluded from the briefing at the discretion of the committee. Could I also request that all mobile phones be checked now and that they are either off or on silent and that no phone calls are taken in the committee room.

You have previously been provided with a copy of the instructions for witnesses so we will take those as read. I understand they are on the table in front of you. If you have an opportunity during the proceedings to read those and sign those could you do so. Hansard will record the proceedings and you will be provided with the transcript.

CUTHBERT, Mr Graham, Executive Director, Master Builders Association Queensland

MACDERMOTT, Ms Kathy, Executive Director, Property Council of Australia

MCDUGALL, Ms Nicola, Media and Communications Manager/Director of Research, Real Estate Institute of Queensland

MACLAINE, Mr Duncan, Director, Economic Research and Policy, Urban Development Institute of Australia Queensland

STEWART, Mr Brian, Urban Development Institute of Australia

TEMBY, Mr Warwick, Executive Director, Housing Industry Association Queensland

CHAIR: We are running this hearing as a round table forum to facilitate discussion. However, only members of the committee can put questions to witnesses. If you wish to raise issues for discussion, I ask you to direct your comments through me as the chair. I will ask each agency representative here today to provide a brief opening statement. Kathy, would you like to provide a brief opening statement in relation to your attendance here today?

Ms MacDermott: I welcome our attendance here today and I represent our members. Our members are owners and investors in property as well as developers and consultants in the development industry. We supported the Building Boost. We saw the need for a stimulus to our sector for new homes. We did support it, we have promoted it and I do have information from our members about how that has been working which we will get into later.

Mr Cuthbert: Thank you, Chair. The Master Builders Association represents about 10,000 businesses in the building and construction industry. The break-up is roughly about 500 commercial builders, 5,000 house builders and about 4½ thousand trade contractors. Right from the word go we thought the concept was sound. I am sure during the morning we will get into the difficulties in a practical sense that we are facing in making what was certainly a sound concept a reality.

Mr Temby: The HIA is a strong supporter of the Building Boost and we had been agitating for something like the boost for some time. Probably the disappointment for us is the way the boost was introduced, which is something that is beyond the committee's control and beyond legislative control now. That was probably the most disappointing feature of the boost. We may well talk about that later on. Overall, we think the scheme is positive and could have contributed to a significant increase in confidence

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among the home-buying community. Ten thousand dollars from the government is worth a whole lot more to a home buyer in confidence terms than a \$10,000 discount from a builder or a developer. So we are very strongly supportive of the scheme and would like to see it, if anything, boosted further.

Mr Stewart: Likewise, UDIA has been a strong supporter of the boost and we are starting to see some impacts on the ground although it is, of course, still very early days.

Ms McDougall: REIQ obviously represents real estate agencies across Queensland. We represent around about 1,700 accredited agencies, which is probably around about 15,000 property professionals in Queensland. The majority of our members obviously are involved in the selling of established residential property. We support any initiative that is going to stimulate the housing market, but obviously, at the time, we would have been interested in something that perhaps stimulated the entire property market considering about 85 per cent of buyers do buy established residential property.

CHAIR: This is a round table discussion so different members will be getting involved at different times, but we do try to stay on a theme. We try to see that to the end and then move on to something else. I will ask the member for Mermaid Beach, Mr Stevens, if he would like to start.

Mr STEVENS: My question I think should go to Graham. We will see how we go from there. The Building Boost stimulus was basically designed as a construction stimulus. I take on board Brian's comments that it is early days, but it is almost halfway through the period that this boost is being put in place. This legislation has a lot of retrospectivity and all those sorts of issues that we are all aware of and the difficulties that you have already alluded to. We have had just over 100 applications approved, which is about \$1 million in stimulus. The government actually budgeted for about \$140 million worth of take-up on this matter, which is going to have to come with an awful big rush if we are almost halfway through and we have seen 2½ per cent of the take-up of \$140 million. We are nearly halfway through the allotted period.

In terms of the legislation itself being a construction stimulus, I would ask the question to you, Graham: has it been structured correctly to be a construction stimulus or has the legislation been more designed to be a sales stimulus, which will not necessarily translate into actual construction, if at all, until much later?

Mr Cuthbert: Our original thought was that it was meant to be a jobs creation program which is a construction program. So to that extent we supported it. We did have some reservations with the boost being allowed to clear stock, if you like, of existing houses or units, particularly in the tourism based areas of Far North Queensland and the Gold Coast. We took a broader view that if you allow the boost to be used to clear that stock you would think in theory that that would allow new construction to follow behind that. That is the position we took on that.

It is all right to say it is early days, but this is not like the first home buyers grant where it has been running for four years. So it is really a six-month window of opportunity. We survey our members every three months on industry conditions. In the last survey, which was last week, we put in the question 'What impact has this had?' and 78 per cent of members have come back and said it has had nil impact and two per cent have said it has had a positive impact.

Our view also is that \$10,000 in monetary terms was never going to be a financial incentive; it was going to be a confidence incentive for someone who had been sitting on the fence thinking about it to tip them over the edge and move forward. When I knew I was appearing this morning we surveyed all our regional managers—in Cairns, Townsville, Mackay, Rockhampton, Burnett-Wide Bay, Sunshine Coast, Gold Coast and Toowoomba. They in turn rang all of their key housing members yesterday. They said that there was limited to no impact. We also surveyed our display village builders who would do probably 80 per cent of the houses in Queensland—and they have joint membership with HIA—and they say that they have seen some minor increase in traffic but certainly no indicative increase in construction.

Mr STEVENS: Would you suggest then that you would prefer to see the date extended? The cut-off date is 31 January. Would you like to see that extended to make it work or do you think it is just not a feasible construction stimulus package?

Mr Cuthbert: To answer that question you would have to look at the \$10,000 Building Boost not in isolation but in terms of the overall economy we are operating in, particularly for the Gold Coast, Sunshine Coast, Cairns and Townsville which are construction/tourism centric. Until there is a change in tourism, until there is a change in consumer confidence and building confidence, I do not think if you doubled it to \$20,000 it would make any difference. I think if you changed it from six months to two years it would not make any difference if you are just looking at that in isolation. You need to look at the overall picture of where our industry sits at the moment.

I was saying this to people earlier, for me you could do a one page power point and put the word 'confidence' up. Until the banks have confidence in our industry to start to lend money again and not just to lend money but to loosen the rules for lending that money, and until the Graham and Sharon Cuthberts have confidence to go and build a house, and until the businesses of this world believe that by investing in better premises and factories to sell their widgets, and until they have the confidence that their widgets will sell in this current market they are not going to invest. I do not know whether that answers the question, but I just do not think the \$10,000 in isolation is the issue; it is a far broader question than that.

Ms BOYLE: I will ask everyone if they would like to respond to this. In Cairns, at least, when it was first announced there was from industry players as well as the broader community and particularly young couples exactly what you were talking about, Graham—there was a confidence thing, 'Oh, good this might Brisbane

just get us over the line.’ There was quite a rush of discussion and activity around it. The actual numbers that have come through so far are nothing like that initial enthusiasm that there had been. The department says to us to be careful. The chances are that there are a lot in process and the second half of this period will have considerably higher numbers, but they are still short of the grand hopes that we might have.

The confidence has sunk again in Cairns. I do not know—it is not really our job as the committee examining this bill, I suppose, to know—what more we can do about it. Whether fiddling with any elements of the program would make any difference in these next three months I do not know or whether it is, as you are really indicating, some broader, bigger factors, particularly associated with the banks and confidence.

Mr Temby: Partly answering that question and partly addressing Mr Stevens question about whether this is about construction or not, I think there are some things that can be done with the bill at the margins. They are not huge game changes, but there are things that can be done at the margins. One is that there is an exclusion in the bill for the boost being paid on related party transactions. I can understand why in the normal course of governments handing out money to people that related party transactions are excluded, but if this is about promoting construction there are a lot of people in the building fraternity who build for family, friends, business associates and that sort of thing and they are excluded from participating in the boost because of the bill.

The only reason I believe there is is because of the dollar limit. If the dollar limit were not there then there would not be any advantage from any potential downplaying of costs to benefit from a related party transaction. If that provision could be re-examined I think that would be helpful. I think if the dollar limit could be reconsidered that would be helpful for a couple of reasons. One is that it is a different limit to the dollar limit for the first home buyer grant which just adds to confusion in the marketplace. There are always problems around the margin of any limit.

Our argument would be that if it is about boosting construction, why have a dollar limit at all. I think our preference would be to remove the dollar limit to get around those problems at the margin where you are essentially encouraging people in the \$600,000 to \$650,000 bracket to try to finagle some sort of arrangement to get them under the \$600,000. I think it would be better just to clear that deck. But if we could get rid of the related party transactions exclusions and the limit I think they are two things that could help.

Ms BOYLE: Thank you.

CHAIR: Brian?

Mr Stewart: From the development industry’s point of view, we supported the proposal initially because it was going to achieve two things: one was certainly to stimulate construction by people entering into contracts for the construction of dwellings but, equally importantly, it was to stimulate the development capacity by removing some of the existing stock that was out there and in that way stimulate some level of turnover and provide more accessibility to housing.

From the work that Duncan has done just over the last couple of days, researching with a lot of our members, what they are finding is that it is really being driven by the market in that some of our members—that is developers—are benefiting from moving stock. But the stock that is being sold is really pretty much at the bottom end of the market, around about that \$450,000—really the entry point level—where it is being utilised. We have looked quite closely at the figures that were provided I think by the minister on a question on notice just recently and obviously the take-up is going to be something that is really quite difficult to effectively evaluate because of the lag time, particularly with construction. So I think the anecdotal information from Graham and Warwick is particularly important about it not being taken up so much on construction. Certainly, it may well prevent further bankruptcies of developers by moving some of the existing stock, but what we need to realise is that this industry is really in a very, very dire position in Queensland today. We are generating 60 per cent of approvals on the long-term average over 10 years so whatever can be done is really essential.

I do not know what level of science was applied to the decision of the \$10,000. Perhaps it was more art than science. We will find out in this six months just what the take-up is. Is there any science to it? Probably not a lot. However, we looked at the figure and I have a recollection that it was \$140 million that was allocated in the budget for this purpose, which is something like 14,000 dwellings. The number of approvals in Queensland at the moment is 26,000 dwellings per annum. That is an incredible number of dwellings that could be funded by way of the grant. That is one of the reasons just recently we have called a couple of times on the Treasurer to look at the possibility of extending this. Of course, it is going to be a little bit difficult. We have had something like only 700 approvals or applications come through now, but the time lag of making the applications and contract is going to be very important. There are a lot of other fairly unknown factors. For example, if there is a quarter per cent decrease in official rates by the Reserve Bank, that will go over particularly well—particularly if it is on Melbourne Cup day. Then if it is followed up with another couple, the market is obviously very, very sensitive to that sort of impact.

I have one graph that I could provide to the committee, which just shows where the Queensland approvals are at the moment and how significant boosts of this nature are. My feeling though, I guess, is if you are looking at the construction of something like 26,000 to hopefully 40,000 dwellings a year, certainly it would be very difficult to imagine that that would be taken up by 14,000 dwellings in this six-month period, even with the greatest amount of goodwill. A considerable number of them are beyond the limit

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and, again, I would reinforce what Mr Temby said there, which is that the removal of the limit may well stimulate more building activity. My members would suggest that that be applied to existing dwellings so that stock can be moved, because we are starting to see developers really becoming the endangered species in Queensland for a number of reasons.

CHAIR: On that same theme of issues that may be able to be tweaked, I was going to go to both Cathy and Nicola. Have you any thoughts on the issue?

Ms McDougall: I was just thinking then, when both Brian and Graham were talking, that possibly one of the issues that is preventing a number of people taking up the grant is the ability for them to sell their own home. The Queensland property market is in the worst spot it has been in for a number of years. The market was actually doing better—and I am talking about established residential here—during the GFC than it is now. Sales numbers are about half of what they were just two years ago. That was obviously driven by the low interest rates we had at that point in time as well as the First Home Owner Boost, which worked fantastically. At one stage first home owners in Queensland got up to about 28 per cent of the market. They are now 15 per cent and have been hovering between 13 per cent and 15 per cent for quite some time. So I think if the boost is about really stimulating those second, third, fourth home buyers into buying a new home they have to be able to sell their property themselves and that is not really that feasible at this point in time. You have a lot of people out there who might have the idea that they would love to buy a new home but they have to be able to sell their home. A lot are not prepared to meet the market on price at the moment. There is massive discounting going on to be able to move your home, especially if you have only bought within in the last few years, and a lot of people are obviously going to the market and going, 'I am not prepared to drop 30, 40, \$50,000 to sell my home,' and then obviously that is stymying them—that is the stopping them—from being able to take up the boost, I suppose.

CHAIR: The issue of tweaking this current bill?

Ms McDougall: My suggestion, I suppose, is the same as what Graham and Brian were saying before. Hopefully, interest rates are on their way down. For the first six months of this year all we heard was the fact that they were going up. That did nothing for the market, which was just starting to probably show signs of life at the end of last year before the interest rate rises in November. Obviously, we had the floods earlier this year as well. Confidence levels need to change, interest rates need to lower—that type of thing. So I guess to tweak the boost would be to elongate it, make it available for longer.

CHAIR: Cathy, do you have any thoughts?

Ms MacDermott: I agree with the other speakers about the limit. If we are talking about clearance of stock, particularly on the Gold Coast, most of that stock is above \$600,000. So to fulfil that part of the goal of the policy it would need to be higher. We feel very strongly that we self-funded the stimulus from the sector with the removal of the concession on the principal place of residence. That \$140 million has been taken out of our sector to fund our own stimulus. If it is not being spent in the boost, we want it invested in our sector this financial year because we so desperately need it and also it has come from another part of our sector. so we would very much want to see some initiatives for that money to be invested in getting the property market fully operational and achieving all it can do for the economy.

CHAIR: Anybody else? Graham?

Mr Cuthbert: On what Brian said about the 26,000 houses, my understanding is that there will certainly be a number of those that will attract the \$10,000 boost. I do not think we are going to go from 26,000 to 40,000. I think the real test is the netting off of those amongst the 26,000 that will get the \$10,000. But the real test of if it is construction or jobs driven will be those above the 26,000. The ABS numbers for June showed approvals of about 1,300, I think. They dropped to 1,100 in July and were back up to 1,320 in August. That tells me that there are, heaven forbid, actually consumers and builders out there who held back on signing the contract in July to seek to pick up the \$10,000. I think September and October will be the key months in terms of whether this has any legs at all.

CHAIR: Member for Mudgeeraba?

Ms BATES: I have been listening to what you have been saying and you have already answered a lot of my questions. From the latest statistics that we have there were 698 applications received up to 7 October. Of those, only 117 have been approved. I note on the Gold Coast that there were only 36 grants applied for. There is no figure there that says how many have been successful. We all know that the Gold Coast building industry is on its knees. I am sure you drove up here today with all the tradies passing you on the M1.

I did ask questions at the last committee meeting that we had about the \$600,000 limit, given that the Master Builders had told me that \$350,000 is the low end of the building market to actually construct a home. So there you are looking about \$250,000 for a block of land. I did question at the last committee meeting where you could actually find a block of land for \$250,000 on the Gold Coast, the Sunshine Coast or Brisbane.

I am hearing from you that the cap needs to be raised from the \$600,000 to get the industry moving and that the uptake thus far has been very disappointing. The carbon tax has just been passed through the House of Representatives and the debate has been guillotined in the Senate by the Greens. Would you care to elaborate on what additional impost on construction this will have on the building industry that is already on its knees and do you feel that the building boost will be wiped out by the cost of a carbon tax on construction?

Ms BOYLE: Is that a political question or what?

Ms CROFT: That is not in this bill.

CHAIR: This is a wide-ranging debate. I suppose we need to be very mindful that we are here today to discuss the bill in front of us and not things that are happening in federal parliament. I am happy for people to provide an opinion. Does anyone want to take up that issue?

Mr Temby: Our organisation has done some fairly elaborate research on what the impact of a carbon tax might be on the cost of a new home. Our estimates are that it would be of the order of probably six to \$8,000 on the average house. That is not going to happen on 1 July next year; that will happen over a period of time, and there are all sorts of responses that the market could make to that.

I think the question is around the offsetting of the effects of the boost. I am not at all surprised by the numbers that the boost has had to date. I do not think we should be too concerned about that at this stage because the lag in the introduction of the boost was a disaster. There was a contract signing strike that went on for six weeks. August, when the strike was lifted, was the worst possible timing to be starting anything, because that is when the global sharemarket started its gyrations, which just dented people's confidence like you would not believe. I think we are hopefully seeing some stability returning to that, but only fools venture to guess what is going to happen on international sharemarkets. Also, there are just the practicalities. If you could not sign a contract until 1 August, you would not get an approval probably until the end of September and the first payment is on the first draw when you make your first progress claim. So it is not surprising we are not seeing a lot of applications and payments now. Even if it is an established property that has been empty, with a 30-day settlement you are not going to see that much activity in the space of five or six weeks. I am not too fussed about that.

I would be concerned at this stage about venturing to extend the duration of the boost. I would be happy to see it extended, but not until 15 January because I think one of the attractions of the boost was that it provided a reason for people to do something now rather than defer, which is what Graham was talking about before with so many people sitting on the fence. I think that if there was any consideration of extending the duration of the boost any announcement should not be until the 11th hour.

CHAIR: 14 January?

Mr Temby: Yes.

CHAIR: I would like to see if anybody else has anything to say in relation to the question.

Mr Stewart: If I could add to what Warwick was saying, there are so many variables that are impacting the market at the moment from the point of view of both purchasers and also from the perspective of development and development investment. I think that is the point that I was trying to make before. The boost is and hopefully will generate a level of activity that would not otherwise have been there. But at best it is going to bring forward demand for new home purchases a little, but not significantly. \$10,000 may take another two to three months for a young couple, for example, both working, to save as a deposit towards a home.

One of the difficulties with having a six-month limit, and I am just trying to balance the two points of view, is that when interest rates are high and when there is uncertainty, people will back out and sit and wait. They know they have four to five months to be able to wait until we see what happens, for example, in December/January. That was one of the reasons why I was saying it is quite early days. But the question from Ms Bates is particularly important to my mind, because this is a piece of legislation that is attempting to address what is a very, very significant and fundamental problem within the Queensland economy. If it looks to the government that this is not going to have the stimulatory effect that it should have had, and it would seem that well informed people would be starting to question that on the basis of the evidence that has been given here today, then that does, to my mind, prompt at least the possibility of keeping the door open, but certainly of looking at what other aspects are available.

That is where I would really support, as well, what Ms MacDermott said about the issue of funding being taken effectively from this sector by the reduction of the stamp duty on the principal place of residence and then allocated in other areas. They are policy decisions for government, but the downstream side of that is it does restrict turnover in the market, it restricts people from moving out of the market and people moving in and getting that churn that you need, particularly for the second homebuyers to upgrade. Whatever decisions are taken, there is always cause and effect that is going to happen.

When the industry is sitting where it is at the moment with the level of external flux that is occurring both with shares, with the general economy and with confidence, it really is going to deplete the capacity of the industry to step up to the mark again quickly, given the growth that we are going to be experiencing. In our view this is the time to invest in this sector and invest in it in a way that does stimulate job creation. I do not think, myself, that we have seen the end of job losses in this sector. I did mention earlier that I had some total dwellings statewide comparison in a table.

CHAIR: We would like you to table that, if possible.

Mr Stewart: I can circulate that.

CHAIR: Can we get that done electronically as well, if possible? We will write to you.

Mr Stewart: Yes, we can. We also publish every quarter a development and construction industry performance report and that is available to our members and it is available on the website. If any of the members would like a copy, I am sure you can have it. That details precisely where the Queensland industry is at the moment from the point of view of approvals and in comparison with other states.

CHAIR: Thank you. Mr Cuthbert, did you want to say something?

Mr Cuthbert: Yes, in response to the member for Mudgeeraba. The 36 grant applications on the Gold Coast, I think, is consistent with what I said earlier about confidence. The Gold Coast normally runs at about 380 approvals a month. It is around about 90 to 100 at the moment. The lack of approvals would demonstrate to me the lack of confidence in that particular market. I keep saying to people, if you ever want to know what real estate and construction does on the Gold Coast, get the *Gold Coast Bulletin* every Saturday morning and have a look at the 150 pages in the property lift-out. That tells you that industry drives—

CHAIR: One hundred and fifty pages?

Mr Cuthbert: One hundred and fifty pages is the lift-out for real estate. Construction real estate drives the Gold Coast economy. Those 36 grant applications do not surprise me at all. On the comment about the \$350,000 house, the Treasurer was quite gracious in allowing a number of us at this table to have a briefing prior to the budget speech. When he raised the issue of the \$600,000 cap, I did express a view that, certainly in Brisbane, it will have nil impact. In the example I gave, we are about to open our biggest display village ever down at Rochedale. A 400 square metre block of land is \$450,000. It is a lot to do with infrastructure charges and council charges, but we will not go there. It is not going to have any impact unless you go to the wider fringes of Brisbane and out towards the western corridors.

The third thing is the carbon tax. My view is that we are pretty close to Warwick at about \$7,000. I agree it will phase in, but from our point of view at a national perspective—this is national now—we were quite disappointed that both sides of politics did not debate this in respect to the impact on the housing sector. There was a lot of discussion about manufacturing, but we seemed to miss that. I do not see it much different than the ever-increasing six-star rating, universal housing, compulsory water tanks; it is just another cost on housing affordability. I genuinely think that is part of the reason we are here today, because \$10,000 in terms of those added things will not make much difference.

Ms BATES: I have a supplementary to what Graham just said, if that is all right, Mr Chair. You mentioned before you were concerned about whether the building industry boost had actually achieved its aims. At what stage in this process, given that the building boost is due to finish in February, would you become concerned that it has not achieved its aims when you are already getting feedback from 78 per cent of your members saying that it has had nil effect? We have another three months basically into this process. When do you expect that we would see some benefit to the building industry?

Mr Cuthbert: I think I have said before that the next couple of months will be critical. Home owners are no different than those people seeking relief from the floods where on 29 and 30 June, the last two days for the application for the grant, the government got 850 applications. We may very well see a rush in December and January, but historically my view is that that is a relatively quiet time for construction activity because everyone knocks off. There are unique circumstances, but I still do not think in the overall picture the 10 grand is going to make a difference.

CHAIR: Before we go off that subject, I think Nicola wanted to say something. I am trying to give every member an opportunity here. Nicola, did you want to respond?

Ms McDougall: Yes. I was just going to concur with what Kathy said before regarding the removal of the principal place of residence concession. Obviously at the time when that was announced in the state budget, the REIQ was very vocal in its opposition to that move. The property market has been doing very poorly this year and obviously that was not going to help the matter. I think that the majority of consumers would be home owners who are probably intelligent enough to do the sums to work out that they might be getting \$10,000 to maybe buy a new home, but it will probably cost them \$8,000 in extra stamp duty. When you talk about whether it is wiped out from the carbon tax, well it is pretty much wiped out because of the removal of the principal place of residence concession.

CHAIR: And the only one we did not pick up on was Kathy. Did you want to comment on this issue?

Ms MacDermott: Our members are saying the next two months will be critical to see the take-up. The whole basis of the policy is to create a sense of urgency, so we would not necessarily be looking for an extension to bring forward and to stimulate that decision in the building—

CHAIR: Did you say you would be looking for it?

Ms MacDermott: No.

CHAIR: You would not?

Ms MacDermott: No. It should run its original time frame. We would be looking at other initiatives for any remaining money to be invested back into helping the sector.

CHAIR: Thank you. I am going to move forward because I know the member for Broadwater has been waiting to ask a question as well.

Ms CROFT: Because I have been waiting, my train of thought has gone. Someone made a point and I had that and now I have lost it. I wanted to ask what you thought about the government's communication in relation to this opportunity for people. Do you think that enough advertising has been around it? Should the government invest now to bring on more advertising to make people more aware of it and also in relation to the arrangements around it? My understanding was that you cannot use it to sell your permanent place of residence and to buy another place; is that correct? You cannot sell your house to then take up the \$10,000 grant?

Mr Temby: As long as you are building a new house, you are eligible for the \$10,000. It strikes to your point about the marketing. I was very concerned about the marketing when I first saw it, because there were three separate marketing campaigns. There was one directed at first homebuyers that said, 'You can now get up to \$17,000.' There was one directed at investors and there was one directed at trade-up buyers. Unless you happen to catch the right add at the right time, you would not know that you were eligible for the boost. If you caught the first home buyer add, you would have missed the investors and trade-up buyers ones. I do not have enough hair to be a marketing person, but for me the message ought to be that it is not just for first homebuyers; it is for anybody who is building anything anywhere at any time.

Ms CROFT: Exactly. So my next question is, with regards to your industry, what work have you done to make people more aware about the criteria and what is available to people? What have you done to sell it as an industry, to make people take it up?

CHAIR: I think the industry has been doing that.

Ms CROFT: I do not know.

Mr Temby: In the *Gold Coast Bulletin's* real estate section or the adds in the *Courier-Mail* every week and in every other paper, builders and developers are pushing it as hard as they possibly can. There is the little logo on most of the adds, there is lots of promotion of it from the industry, but government advertising carries more gravitas than industry advertising. To answer Ms Bates question earlier about when should we be alarmed, I am reasonably alarmed about the lack of take-up for this right now. I am not waiting for the next two months. All the leading indicators, which are our new home sales surveys which comes out before people contract, are all pointing to no increase. Lending for housing finance, profit, land sales—all those sorts of things are pretty flat or going backwards. I am concerned right now about the take-up for this thing and if I am concerned in November that will be too late.

CHAIR: If we stay on the issue of advertising and marketing, does anybody else have any comments?

Ms MacDermott: I think we can see two things in the trend. People who are in the market absolutely understood it because we saw people not sign a contract until 1 August. So people who are looking to buy a new property or to build, they instantly understood it because we saw them wait six weeks to sign a contract and that had its own bad effects on the market. I think our members across-the-board here have been very proactive in promoting it. They have done it through their advertising and through their sales display and they have put a lot of time and effort behind it.

I think there could be more put around the idea of people using the boost more than once. People do not understand that when you talk to them. If you keep buying new properties, you can get the next \$10,000. People are still confused that they need to be a first home buyer and they do not fully understand that it is open to interstate investors. If you mention it to someone in the public they often say, 'I'm not a first home buyer.'

Mr CRANDON: We are getting some mixed messages. You favour perhaps an extension. You are suggesting that, if there was an extension, do not announce it until 15 January. You did not want to see an extension. You have talked about, Graham, the lag over the Christmas period and that was one of the questions that I had here. Is there a drop in sales over the Christmas period? Are the display homes going full pelt over that period because everyone else is on holidays and shopping and those sorts of things? Then contrast that with the sale of houses over that same period, which tends to drop off. All of those things are suggesting to me, anyway, that we are in for a bit of a basket case as a result of this whole thing.

My question is: do you think as a fix we could employ a strategy that said, 'Right, we're going to delay the increase in stamp duty until a date after the end of the boost period?' We would push the boost period out because of the loss of time in the period July to August—this slow take-up because of the problem with selling your house before you can move and so forth. Say we said, 'Okay, Christmas is coming et cetera, let us announce it now, push it out another three months and delay the stamp duty increase until the day that the boost period finishes.' So we are now going to 1 April. Why not? We push it out to 1 April. That is when the boost period stops, but that is when the increase in stamp duty starts. So we are giving a stamp duty holiday during the boost period. Would that kind of thing give us the momentum that we need? That way they could sell their house and buy into the new one. Can we get some feedback? What sort of marketing strategy could we put in place to make this thing work?

CHAIR: Although did I hear earlier that we should only announce it on 14 January?

Mr CRANDON: This gentleman here was in favour of an increase.

CHAIR: That is what I am trying to clarify.

Mr CRANDON: I pre-empted all of that.

CHAIR: I was not trying to be funny; I am just trying to clarify it for myself.

Mr CRANDON: I have just outlined a scenario and I am not asking you to stick to that scenario. I am saying, 'There is one scenario. Would that work? If not, what do you think might work—what combination of things?'

Ms McDougall: Obviously, the changes to stamp duty came in on 1 August as well. So everyone, apart from first home buyers, is having to pay higher transfer duty. An interesting thing happened prior to 1 August, particularly amongst REIQ members. We were hoping that perhaps there might be a small spike in activity in the couple of months before the increase in stamp duty took place. There was none. The majority of people were not in the position to buy then and they certainly could not afford to do it after 1 August, either. So it did not really make any difference whatsoever. When you talk about delaying or changing—

Mr CRANDON: The start date?

Ms McDougall:—the start date, was that for everybody or would that just be for the buyers?

Mr CRANDON: Across-the-board. If you are selling a home, because now we are trying to generate some activity in the real estate industry with a view to then generating activity in the building industry. So if we delayed the stamp duty increase until 1 April and had the boost pushed out until the last day of March for everybody—do you see?

Ms McDougall: Certainly I think that would not hurt. I do not think it would make a hell of a lot of difference, though.

Mr CRANDON: Do you have a suggestion?

Ms McDougall: As we have all talked about, the conditions out there—whether it is interest rates, whether is job losses, whether it is confidence across-the-board—are the things that need to change before the market really is going to pick up. Another thing is that, obviously, the Queensland Building Boost is trying to stimulate 15 per cent of the market and you are leaving out 85 per cent of the market. As I said before, they are the people who usually buy established residential property. The first home buyer numbers are very, very poor—13 per cent or 14 per cent. Historically, they are usually 20 per cent of the market here in Queensland. During the First Home Owners Boost they were 27 per cent to 28 per cent. If I am sitting there wanting to build my next home, I have to have a first home buyer who is going to buy my home. If there is no-one there I am not going to be able to do that.

CHAIR: Does anybody else want to comment on that? I know that the member for Mudgeeraba had a thought.

Mr CRANDON: I was hoping everybody would want to comment.

Ms BATES: I just wish to comment to Michael that the stamp duty has already been legislated. It came down in the budget. We have already had three months of that being removed and a lesser take-up of the Building Boost grant. I think what we really need to be concentrating on is the fact that the experts in the industry over here are already saying that they are very concerned about the validity of the Building Boost and what it is actually doing. Graham, maybe you would like to comment—or Warwick? Just going on from that, too, you mentioned—

Mr CRANDON: Excuse me, Mr Chair, I was hoping for a response from different people. I take your point about the stamp duty legislation being in place. That is not the point. The point is that we in this committee are asking for some feedback to this bill. I was hoping to get a response from various people here.

CHAIR: I understand that, but I cannot force the members to—I looked around and no-one was obvious to me. That is why I went down to the member for Mudgeeraba.

Ms BATES: I personally think that everybody here on this panel already gave that information prior to the legislation being changed.

Mr CRANDON: Okay. Fine. Does anybody else want to say anything?

Mr Temby: I am happy to have a go. If you were going to spend, on average, \$7,000 on 85 per cent of the market I think it would be much more effective to spend that sort of money just on the new home market if the objective is about boosting new home activity and employment. I think it would be much more effective.

Ms BATES: Sorry, Mr Chair, I just want to pick up on what Brian mentioned before about the—

Mr CRANDON: Anyone else?

CHAIR: Before you do, I think Mr Crandon is still trying to get a response here.

Mr Cuthbert: I share Warwick's view on that. The other part of the question was the lag. The reality is that, if consumers wait until December-January to walk into a display village to start looking at the house, by the time they have picked the tiles, carpet, door handles and whatever they will not make 31 January—I think that is the correct date. That is why I come back to my first point that the next couple of months are key because the people would need to be talking to builders and unit developers for off-the-plan buildings now so they can get to the contract stage before 31 January.

Mr CRANDON: Anyone else?

Mr Maclaine: I do not know if a temporary reduction or delay in the stamp duty would have a significant impact. I think the level of stamp duty is something that has long-term consequences on a market: reducing turnover over a period of time reduces overall demand for new housing and lowers the effective supply of housing. We were not happy about the stamp duty going up, but playing around with the introduction of the timing I do not think would be an effective strategy for manipulating activity in the industry. I think stamp duty is a bad tax for the industry and the economy as a whole. Any talk about stamp duty should be around structural change to it rather than a temporary change to it.

Mr Cuthbert: Mr Chair, to support that, we are playing with \$8,000 or \$10,000. In this market people would be blessed if they could list their house and sell it for \$8,000 or \$10,000 under the list price. We are talking about \$40,000, \$50,000, \$60,000 in this current market. Whilst it is good in concept, in practice I do not think it had much impact.

CHAIR: Before I go back to the member for Mudgeeraba, I know that the member for Mermaid Beach—unless it is the same question—

Ms BATES: No, it is a follow-on.

CHAIR: That is what I was suggesting. The member for Mermaid Beach has the next call.

Mr STEVENS: My question followed on from matters we raised earlier in terms of awareness of the scheme, the legislation et cetera. I think Warwick mentioned the importance of government advertising in relation to the awareness out in the community for the take-up of this legislation. The government has spent \$600,000—\$660,000 to be exact. I assume your agencies have all spent reasonable amounts of money on top of that. We have generated only \$1 million, in round figures, of grants up to this point. Do you see that more should be put out there in terms of awareness about funding? How much should the government be spending to make this legislation take effect?

Mr Stewart: I will try that one if you like. I am not a marketing expert like Warwick. We have been doing some research on major public campaigns in recent times, such as the Resources Council's campaign to improve its image. They are paying \$2.5 million a year in Queensland, for example, and \$10 million for the national campaign. The sort of figures to get to the public psyche are pretty substantial. However, what we are looking at here is getting to the right people, and I think the right people are that broader community for a start. If they are in the housing market, they are looking around and they will be in contact with people from the industry. So my own feeling is that it is not so much a matter of awareness; it is just this crippling effect of the lack of confidence that we are seeing at the moment. You could throw another million dollars at it and not generate any more activity. I do not know that there is a relationship at all between the dollars you spend beyond a certain amount and then the outcomes.

Ms BATES: Brian, recently the UDIA put out a report saying that, since August, 7,537 jobs have been lost in the construction industry. Warwick, you also mentioned that you felt that figure was going to rise. Do you see that the Building Boost has had any effect on the loss of construction jobs?

Mr Stewart: No, I do not yet but it is certainly too soon to tell in that regard because of the lag time between signing a contract. For example, if you are building an existing dwelling, that is not going to put people on the tools immediately. But the cash sales that are generated there will stimulate and, over time, it will generate. Likewise, with signing a contract a month ago, by the time you get your building approval and by the time the builder gets into starting work—and there is now a lot of competition to find tradespeople, notwithstanding the travails, because the resources sector is taking up and, in fact, concealing the level of job losses in my view. This is an economic stimulus package, as I see it, and the proof of the pudding is going to take a little longer before we really get to any definitive conclusion. It may well not be until March or April, apart from the anecdotal information that comes from my colleagues, before we will be able to sit down and say, 'Yes, it has worked.'

However, when you do look at the level of approvals that we are sitting on, we believe that it has bottomed. I do not say that with any great confidence. I think it is sort of struggling along the bottom at the moment. There is a whole range of longer-term strategies that need to accompany the short-term boost. I realise the government has put in place a lot of those with the building forum and the review of SPA. A lot of those will kick in but there are some absolute fundamentals. The elephant in the room is housing affordability. This is not the bandaid over the pumping artery that is going to work. There are some real systemic issues culturally, procedurally and financially that we need to address in the housing sector. It is not going to go away.

Look at the figures there for New South Wales. They did not address it for 10 years. A number of strategies were put in place that did not really turn it round. There are longer-term issues that are equally or probably more important than the short-term economic boost that we really need to be addressing as a community, as a whole.

CHAIR: Does anyone else want to pick up on that?

Mr Cuthbert: I will.

CHAIR: You have to be quick otherwise I am going to move on. Do not be afraid to speak up.

Mr Cuthbert: Just going back to the issue of advertising, my position is that the industry asked and begged the government to provide the boost. The industry has a massive amount of responsibility to publicise it and from our perspective make sure it works because it is our industry and our future. I think Brisbane

that is where we come from there. The only thing I had in relation to the government advertising is that I was totally confused—and I was actually there at the briefing—as to whether the \$600,000 included land or not. I think that was a massive confusion. Once the community realised it included land, they just turned the radio off.

The other comment is this: forget about the fact that we will become a basket case; we are now and we have been for quite some months. The survey we have just done says that the next three months will be worse than the last three months. I do not share Brian's view that we are at the bottom yet. I think we have a little bit to go yet. I will give you some figures I gave the Premier. In the last 18 months there have been 24,000 job losses across Queensland. In Brisbane city, to support Brian, there have been 10,000 job losses in 2011.

Ms BOYLE: In case this is my last question—it probably will be—thank you all for what has been a very interesting discussion more broadly than just this particular program, which is one tiny part of a much larger picture, including many factors that you have mentioned that are beyond the Queensland government's control. I note that it is on the record that Ros Bates, our opposition member, is determined to call this a failure. My question is this: if in the end we have, say, 300 and that falls short of the ambitions the government might have had, is that a failure? As long as we know or can guess reasonably what proportion of the 300 have occurred because of this and might not have otherwise then it is a small success not a failure, unless you are an opposition member of parliament, I suppose.

Ms BATES: Point of order, Mr Chairman.

CHAIR: I have a point of order, member for Cairns. I call the member for Mudgeeraba.

Ms BATES: They were not my words—that is, that I am determined to call this a failure. I think the panel that we are speaking to today is raising some very serious concerns. I ask that the member withdraw her comment.

CHAIR: Do you find those comments personally offensive?

Ms BATES: I do find those comments offensive.

CHAIR: The member has requested those comments be withdrawn, member for Cairns.

Ms BOYLE: I accept that and I will go on with my question. In my view at least, one is better than none. It is not a failure if you are ahead. Yes, it may turn out if some who are predicting that there will not be a rush of activity in the next few months that it is not as grand and as great as we would have hoped in terms of the numbers. My question is this. Let us say the pull-out number at 14 January is 329. It is going to be a matter of opinion, is it not, as to how many of those 329 would not have happened unless the \$10,000 was on the table? How are you going to tell or guess? Will it just be a matter of opinion and that might be influenced by where you sit at the political table?

Mr Temby: I will have a go at that. One of the joys of economic analysis is that it is really hard to know what the counterfactual situation would otherwise have been as a benchmark. The only thing we could possibly do is look at what is happening in other states. If other states are going down and we are going up then you would say it has been successful. As you say, even if activity in the industry continues to go down, it might have gone down a whole lot further if it had not been for the boost. The reality is that you will never know. There will be people who do PhD theses on this in the future, but they will not know either. It is just too difficult.

The one comment I would make, though, is that, based on some very in-depth analysis I have just done on the back of my bit of paper, if the scheme generates another 2,800 houses other than what would have happened in the industry anyway, just through the GST alone the state will get its money back. It can be a very cost-effective program. That is not to mention payroll tax and all the other things that local government make off the industry on the way through as well. It could turn out to be a very profitable program, and we certainly hope it is.

Ms MacDermott: I think any increase is a success. We desperately needed the stimulus and we asked for it because the industry needed it and continues to need it. Some of our members have noted a great increase in inquiries and others have not. It depends on what product you have and where your product is located. Everyone is happy for the person getting the increase because it is so needed.

I think what will make it successful is if whatever is left over from the \$140 million is allocated to be invested in the property industry. That will make it successful. The change in stamp duty was a change to fund the removal of the ambulance levy. The industry got some money back in the short term. That money has to be spent in the industry. That is how we will judge it as a great success.

Mr MacLaine: It is always difficult, even retrospectively, to go back and isolate one policy and the numbers that that drove. I undertook the task of looking at previous stimulus measures and what impact they had. When the First Home Owner Grant was put up from \$7,000 to \$21,000 for new homes and from \$7,000 to \$14,000 for established homes in 2008, I think it was, during the period that was in existence interest rates halved. Can you attribute the success of the First Home Owner Grant to the grant or to the interest rates? You can run models on that. Having said that, you may be able to say, 'Yes it has had an effect,' but it will be very difficult to put a number on it. It might be clear it has had an effect or clear it has not had an effect, but to isolate that it created, say, 2,000 more sales than it did, I do not think anyone is going to be able to answer that even after the fact.

Ms McDougall: Similarly to what Duncan was just saying with the First Home Owner Grant, we felt that what that did—and it was a very successful measure at the time and the market and economy certainly needed it during the GFC—was that it probably brought a lot of buying decisions forward. So instead of first home buyers out there struggling for another six or 12 months to save to get their deposit they said, 'I can do it now.' That is probably part of the reason first home buyers are so low at this point in time. We had probably two or three years worth of first home buyers buying in that First Home Owner Grant period. Similarly with the Queensland Building Boost, that might happen as well. A number of people out there who were thinking about building a new home anyway will bring their decisions forward. Once the boost period is finished, perhaps the numbers will be far worse than they have been for quite some time.

Ms CROFT: I just wanted to raise the point of housing affordability. A lot of young people who I speak to, regardless of the boosts and grants that are available to them, really think that buying a new home is out of their realm anyway. It really should be about all levels of government working towards making housing affordable. Does anyone have any idea about the age groups of the people who are making applications? Has an investigation been done into who is taking this up?

Ms McDougall: When the First Home Owner Grant was in play and there was \$21,000 available to first home buyers to build or buy a brand new home, 24 per cent of first home buyers bought or built a new home. So you are looking at 76 per cent of people. Even though they had \$14,000 to buy an established home, 76 per cent of first home buyers decided to do that; 24 per cent decided to take the \$21,000. Like you say, our research shows that the majority of first home buyers, especially here in Brisbane—and even when I speak to all of our members across the state—feel that building or buying a brand-new home for their first home remains pretty much out of the financial reach of most of them no matter where they live.

CHAIR: That is an interesting question about age. We might put that on notice to the Office of State Revenue. We might make some inquiries into that area. I know the member for Mermaid Beach has another question.

Mr STEVENS: Thank you for the opportunity. This is for Brian on his great graph that he presented here today. I notice that in August 2010 the Victorian approvals went through the roof. Did they have similar legislation to what we are considering here to make that happen? What is the reason for Victoria jumping up and continuing fairly strongly as opposed to the other three states on that graph?

Mr Stewart: That is a question that I cannot specifically answer, save to say that there were specific grants in Victoria associated with new home construction outside of the Melbourne area. It was a much higher grant for first home buyers. They may have doubled the Commonwealth grant for first home buyers. Some of my colleagues are nodding. So, yes, there were some stimulatory effects.

Victoria has had a fair amount of confidence. A lot of the financial institutions have been centred in Victoria. Although, allegedly, the financial requirements have not been different, Victoria had lower priced land, lower priced overheads and quite a few other quite substantial benefits. There is a shorter time within which to bring product to market and more land being pumped into the land market by governments of both persuasions. It is real concerted approach to deal with affordability. As well, they have maintained their population at this stage. As you know, what is really driving growth or has driven growth up here in the past has been interstate migration.

CHAIR: When you say maintained their population', do you mean they have been stagnant?

Mr Stewart: They have had net positive migration to Victoria.

Mr CRANDON: Is that from Queensland?

Mr Stewart: Some has been from Queensland. They have had an economy that has just been operating well and housing affordability was significantly better than it was in Sydney and Brisbane. People need to have incentives to move either for employment or because they see a strong future. That is going to be one of our challenges, I suspect, as the resources boom kicks in over this next four to five years. How do we deliver and maintain affordability and a viable industry that will encourage the skills and people that we need for the state to grow?

There is a whole of range of issues that the government can put in place. It could fix fees and charges so that there are no increases associated with development at any level of government—when I say 'development', for housing—or changes to the fundamental rules associated with housing for three years. All this will wash through. The market will recover. The real question in all this is how fast it can be done. How quickly can we improve what we are doing?

Ms BATES: This probably will have to be taken on notice. Obviously, the construction industry is on its knees, particularly on the Gold Coast. We hear lots of sad stories from down there. Like other industry groups, do you actually collate statistics for things like suicide amongst members? If you do, could you provide any sort of data on that?

CHAIR: I am pretty sure Mr Hanna might have been able to provide some advice on that.

Mr Cuthbert: I can handle that. Master Builders has been doing a lot of work with an organisation called Mates in Construction. This first arose out of the Cole Royal Commission into the Building and Construction Industry. The reality is that the construction industry has double the nation average for suicide. The Queensland industry has three times the national average. We have done a lot of research with the Queensland university. We are in a position now to monitor suicide rates. I think I would be able to

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supply that information. We could also supply the information where Masters Builders' work with Mates in Construction is currently saving about three young lives every two weeks. So I would have some information on that to come back with.

CHAIR: Mr Temby, did you want to comment on that?

Mr Temby: I do have another comment but not on that one.

CHAIR: I am familiar with that work. It is a great program. Did you want to say something else before we finish up?

Mr Temby: With your indulgence, you mentioned OSR a moment ago. I think it would be good to put on the record that in what are pretty difficult circumstances between the announcement of the boost and its introduction on 1 August and since, the quality of information that they have been able to provide to the industry and their responsiveness to questions and the inevitable difficult issues has been first class, as has the information that has been available on their website. It is a good example for some other government programs.

CHAIR: Great. I will make sure I pass that on.

Ms MacDermott: I would just like to add that the OSR took on our immediate concerns about the time frame for multiresidential projects. Once the evidence was produced that dialogue was very quick and meaningful.

CHAIR: It looks like they have a real tick of approval. The time allocated for this public hearing has now expired. If members require any further information we will certainly contact you. Thank you for your attendance today. The committee appreciates your assistance. I declare the briefing closed. It is the wish of the committee that the evidence given here before it be authorised for publication pursuant section 50(2)(a) of the Parliament of Queensland Act. Thank you very much.

Committee adjourned at 12.01 pm