Speech by

Michael Crandon

MEMBER FOR COOMERA

Hansard Thursday, 27 October 2011

BUILDING BOOST GRANT BILL

Mr CRANDON (Coomera—LNP) (4.06 pm): The Building Boost Grant Bill 2011 is actually the second bill reviewed by the Finance and Administration Committee. I certainly congratulate the support and research staff on their efforts in assisting the committee to put the bill to bed, so to speak.

The committee held two public briefings. The first was on 6 October this year and witnesses included representatives from Treasury, the Office of State Revenue and others. The second public hearing was held on 12 October and witnesses included representatives from right across the spectrum in the industry: Master Builders Association, Housing Industry Association Queensland, Builders Labourers Federation, REIQ, Urban Development Institute of Queensland and Property Council of Australia, Queensland division. In addition, we had witness submissions for consideration. One written submission referred to a quote by well-known economist Saul Eslake from a story he wrote for the *Sydney Morning Herald* back in March this year. So clearly it did not specifically relate to this particular bill or program. The article states—

It's hard to think of any government policy that has been pursued for so long, in the face of such incontrovertible evidence that it doesn't work, than the policy of giving cash to first-home buyers—

so clearly he was talking about first home buyers in his story—

in the belief that doing so will promote home ownership.

That is interesting enough. I thought, 'I better go and have another look at the Eslake story to see what his arguments are exactly.' I will quote a few points from his story. He starts out with that particular quote I just read. The article, which appeared on 16 March 2011, goes on—

The federal government began giving cash grants to first home buyers in 1964 when, at the urging of the New South Wales division of the Young Liberal Movement (whose president at the time was a young John Howard), the Menzies government began paying Home Savings Grants of up to $500 to 'married or engaged couples under the age of 36' on the basis of $1 for every $3 saved in an 'approved form' (generally with a financial institution whose major business was lending for housing) in the three years before buying their first home, provided that the home was valued at no more than $14,000.

That is a little bit different from the figures that we are considering today. He went on to say that the scheme was abolished by the Whitlam government in 1973 in favour of an income tax deduction. It was reintroduced by the Fraser government in 1976. It was replaced by the Hawke government in 1983 with the first home owner assistance scheme. It was abolished by Hawke in 1990 and reintroduced by the Howard government in 2000. On two occasions since 2000 the FHOG, as it is called, has been temporarily increased in response to actual or feared slumps in housing activity. Over the past decade most state and territory governments have topped up this basic FHOG. Governments have thus been providing cash handouts to first home buyers for almost half a century, yet strikingly the homeownership rate has never been higher than the 72 per cent recorded at the time of the 1961 census, three years before the first of the schemes began.

Saul Eslake's argument is that cash handouts for homebuyers has simply added to upward pressure on housing prices, enriching vendors while doing precisely nothing to help young people into homeownership. Eslake puts forward an interesting argument in relation to this concept. It is almost ingrained in our psyche that to get the building industry working we need to throw some dollars at it and see what comes about. I suppose the question is: are we exacerbating this issue by extending the offer of free cash to other than first homeowners? Put another way: are we making the vendor revisit the 'let's put some profit back into the deal' concept? I do not think that anybody would suggest that right now vendors are on a win with any handouts that are occurring. They are struggling to make ends meet, as can be seen by some of the statistics that have been submitted our way. Should we reconsider the whole concept? Should we, as a state, have a closer look at what they were doing in the 1950s and early 1960s that seemed to be so successful as opposed to this cash handout that perhaps has exacerbated the cost of housing, which I certainly believe it has in past times?

Coming back to the public meetings, a good overall view was given by government witnesses as to their thinking. In the first public briefing they argued that the need was there to start the grant on 1 August 2011. They needed time, they said, to get mechanisms in place to ensure that people knew what they were going in for. They suggested that if on the night of the budget it was on for young and old, the next day there was a possibility that there would be some profiteering all of a sudden or people would be signed up only to find that they are not eligible for the $10,000. The argument was put forward and ultimately we accepted that that was a reasonable argument.

It has been identified by other speakers and accepted by the industry that there was a slump in activity between the date of the budget and 1 August. There was a definite downturn in the number of signed contracts and so forth that occurred. Part of what we are picking up now, part of the statistics that were referred to by the member for Cairns and others, is the lag that did not occur during that period to 1 August.

The bill is loosely based, they told us, on FHOG, with obvious and necessary changes that needed to occur to make it available to other first homeowners. They went on to outline applications by statistical division. The member for Cairns did, in fact, update the figures that they provided to us. They provided statistical division figures as at 7 October. At that time there were just a couple of applications short of 700 throughout Queensland—263 of those were in Brisbane. Sadly, the Gold Coast, which the majority of my electorate is in, fell well short of what I would have expected at 36. The latest figures, as quoted by the member for Cairns, are that there are now 992 applications. So there has been an increase of 290 applications in just two weeks.

If we put it into perspective, it is a situation where in the first three months we have just short of, let us call it, a thousand applications in the system. We have three months to go and the target overall is 14,000. In this next three-month period we have to try to pick up 13,000 applications to fully take up the $140 million. We had fewer than 700 applications by 7 October. We now have fewer than a thousand by 21 October, as the member for Cairns indicated. We have something like eight per cent of the money taken up with 92 per cent to go. Let us hope that we can do it. Let us hope that people will start to get enthusiastic about this grant and we can see the industry move forward.

It is difficult to see that it will be taken up. One question that I have is: what will we do with the left-over funds? If we have $140 million and we only end up handing out $70 million, what are we going to do with the other $70 million. Should that shortfall somehow or other go back into the industry in some way, shape or form to give the industry the boost that did not occur, that we hoped would occur, during this six-month period? I think serious consideration needs to be given to exactly how we address that.

As for the second public meeting, the industry was very concerned about a number of aspects. The UDIA provided us with a flyer that it had handed out. It is referred to as the *Development and construction industry performance report*. The headline is 'Industry still waiting for recovery and jobs'. That report is dated 10 September 2011—well after the commencement of this program. Within this report the indications are that nothing startling is happening at this point in time and they are hoping and praying that something in fact will come on. In fact, on the last page there is a story there by Gary Emmett, construction economist, Turner &Townsend. His headline is 'Turbulent times will ease'. Let us hope that that is the case for the industry.

I have already mentioned the lag between the budget and 1 August. The witnesses did indeed indicate that that downturn did occur. People were slow to take up the grant applications. They were divided on whether the scheme should be extended or not. We received different feedback from different parts of the industry in that regard as to whether it should be extended if the money is not taken up. That is one possibility. If it falls short, can the scheme be extended? The point was made that, if it was going to be extended, for goodness sake do not extend it until two weeks before the end of the time line so that as many contracts as possible can go through the system. Some other comments that came from the industry were that this grant system was focused on only 15 per cent of the market. The rest of the market is second-hand homes that are languishing.

In recent days we have seen reports in the paper that we are at an all-time low when it comes to that market. There have been significant downturns in the Queensland second-hand house market. There were some issues raised with the committee. They were very critical. The people from the Real Estate Institute of Queensland, those representing the second-hand house market, were critical of the stamp duty increase. They spoke of the hit for people trying to sell their property and then going on to perhaps take advantage of this grant. They were not able to sell their property and part of the reason they felt was the stamp duty increase. They believe it is having a slowing effect on the market.

The comment was made that first home buyers in the marketplace are down from 28 per cent to around 15 per cent. Once again, reflecting on the Eslake story, we have a significantly reduced first home buyer market. Obviously, there are a lot of reasons for that. There are affordability issues and other factors such as employment and unemployment et cetera.

The suggestion has been made by members in this place and certainly people in the marketplace that it is probably more a marketing boost than a Building Boost because so much old stock is being caught up in this—that is, clearing the old stock. The hope is that the old stock will be replaced with new stock. In other words, the building industry will build new stock. If things stay the way they are, perhaps they will sit back and say, 'Hang on a second, let us not jump into it at this stage of the game. Let us see whether or not there is going to be a bit of lift so we have some certainty as to whether or not that new stock is going to sold.' If they start building new stocks now and they have not got a contract on them by 1 February 2012 then that $10,000 grant will go out the window and people will not qualify for it. Perhaps we need to give consideration to extending that in some way.

I wish to address the issue of the very poor, in my view, number of applications—36, I think there have been—for the Gold Coast up until 7 October. What was the reason for that? Was it perhaps the $600,000 limit? Examples were given during our hearings that the $600,000 limit is too low. One example was that a block of land was $400,000 so one does not get much of a house for $200,000 to put on a $400,000 block of land.

There are some difficulties for areas like the Gold Coast which has a high unemployment rate. I see many tradies heading up the highway to Brisbane. Many others are unemployed or underemployed. They are not getting any work or very little work. They are perhaps just working for one builder at the moment as opposed to in the past working for two, three or four builders and developers. Perhaps some thought needs to be given to that. Perhaps some adjustments can be made to those limits for particular areas like the Gold Coast.

In summary, we were hoping for a clawback to a better and more healthy building industry. We have said more than once that we support the bill. From a committee perspective, we went through the bill—

Mr Wendt interjected.

Mr CRANDON: The majority perhaps did. There are some lumps in it. There are some spiky bits in it. There are some reasons some of the comments have been negative. If members have a read through what I have been saying they will find that I have been talking about some pretty negative things. I have some uncertainty as to whether we are going to get there.

I live in hope that we are able to make some adjustments to the system, such as the $600,000 limit, to try to give the Gold Coast—my area—a bit of a chance to get some of the business. It might just be enough to tip people over to signing contracts on the Gold Coast and give some of those chippies and plumbers who are unemployed or underemployed an opportunity to get some local work. When they are travelling to Brisbane or travelling across to the other side of Brisbane to get some work—

Mr Wendt interjected.

Mr CRANDON: I will take the member's interjection—or up to Ipswich.

Mr Wendt: They're building up there.

Mr CRANDON: They are building up there. There is a cost factor. There is a toll road that they have to pay for. There are fuel costs and so forth. Are they paying more money, member for Ipswich West? Are they paying more money in Ipswich? Should we encourage them to go there?

Mr Wendt interjected.

Mr CRANDON: Okay. We support the bill. Once again, I thank the committee and the research staff for their efforts in scrutinising this particular legislation.

The last small part of the bill—the almost forgotten part of the bill—is the amendments to the State Development and Public Works Organisation Act. The amendments relate to fees to cover costs incurred. Yes, the fees are there, but they are fairly minuscule additional costs in the whole scheme of things. We are talking about major projects. We are talking in the tens of thousands of dollars. As far as the committee was concerned, we did not have a great deal of concern with that particular aspect of the bill. I commend the bill to the House.