

“Worth Fighting For”



“Home Ownership - A Dream Worth Fighting For”

THE 2004 D.R. DOSSETOR LECTURE
BOB DAY AO

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***“Home Ownership -
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Friday 2nd April, 2004

Sydney

**Bob Day AO
Home Australia**

P R E F A C E

“Our homes are our best schools and our most efficient hospitals. They give people a sense of belonging, of security and of having a real stake in our democracy.”

**‘Forgotten People’ Address, 1942
Prime Minister Robert Menzies**

The importance of home ownership in our understanding of who we are as a people cannot be understated.

As Prime Minister, Robert Menzies expressed in his Forgotten People address in 1942, that the home provides much more than shelter - it provides a place of belonging, of security and identity.

For an emerging generation of Australians the opportunity to have a home of their own is under serious threat. The rising cost of housing, particularly the escalation in the cost of land, means that home ownership is becoming the privilege of the few rather than the expectation of the many.

Clearing the path to affordable home ownership requires courageous action. In practice, State Governments will need to take the focus off their own financial self interest and instead focus on the wider interests of young Australians.

When John D Rockefeller died in 1937 he was reputedly the richest man in the world. As you'd expect, at his funeral were a huge number of people – family, friends, employees from all his companies and a large contingent from the press. Seeing Rockefeller's chief accountant in the crowd, a young journalist approached the accountant after the funeral. "Weren't you Mr Rockefeller's accountant?" asked the journalist. "Yes, I was," said the accountant. "Tell me," whispered the journalist, "How much did he leave?" "All of it," replied the accountant.

All of it. We all leave, all of it.

I'm delighted and proud to deliver this address here today. The D R Dossetor Housing Lecture is one of the major events on our calendar. Through this Address we pay tribute to one of the giants of our industry but, more importantly, we take some time to reflect on who we are, where we've come from and where we think we're going.

Randal Dossetor OBE DFC was one of those great Australians who fought in the Second World War. His generation was first shaped by the Great Depression which led on to that terrible global conflict which began in 1939 – World War II. He served his country with valour and distinction and was awarded the Distinguished Flying Cross.

Now Randal could have easily rested on his laurels. Those who carried the burden of World War II never enjoyed a care-free youth. It was wartime. In a sense they were forced to grow up too quickly. But their trials enriched them and they returned from war and assumed leadership positions in our society where they went on to create the great post-war period of growth, achievement, prosperity, and happiness. If the 1950's & 60's could be described in five words it would be; *"The era of the family"*.

Randal Dossetor's contribution, lay in the area of housing. During his long working life he excelled in every facet of this diverse industry. He was involved in construction, finance, land development, building supplies, and of course the formation of HIA.

Like many of you, I knew Randal and his dedication, integrity and wisdom should continue to be our guide. We can offer no greater tribute to Randal Dossetor than to dedicate ourselves to building on his splendid legacy of service. I hope my words today are a tribute to him.

"All of it: We all leave all of it."

One of the things Randal was to leave was the HIA. His association with HIA began in 1946 with the formation of the Builders & Allied Trades Association. This was the forerunner to the establishment some 18 years later of HIA in 1964. This year therefore marks the fortieth anniversary of the founding of HIA.

In 1964 universal home ownership was the 'Great Australian Dream.' It was part of our national ethos. Today we face a great challenge – some might use the term 'crisis,' to describe the circumstances now confronting us. Access to the housing market has become impossible for far too many Australians. The Australia that Randal Dossetor helped to build is fading into memory. In its place is emerging a society where home ownership is becoming the privilege of the few, rather than the reasonable expectation of the many. This has serious consequences for our nation.

My aim today is to analyse the nature and cause of this crisis, and offer some proposals about how we should fix it. In describing this problem I want to share with you the plight of three very different Australians – Randal Dossetor, Enid Williams and Matthew Gillard.

As I said, home ownership is central to our conception of who we are. An Australia in which home ownership is the privilege of the few is not the Australia which Randal Dossetor went to war to defend. This was his plight, defending freedom and dedicating his working life to the universal concept of homeownership. If we don't address this current problem we will have failed to defend the legacy which Randal Dossetor and his generation bequeathed to us. And while I know every industry claims to represent the national interest, I believe that we in the housing industry can rightfully claim that a healthy, competitive housing industry; building homes which become the property of the people who live in them; is essential if we are to have a healthy, vibrant, growing Australia.

And there are some very distinguished Australians who agree with this claim. In his great 'Forgotten People' address in 1942, former Prime Minister Robert Menzies identified the moral component of home ownership. Menzies recognized the moral, social and emotional importance of the family home.

"The material home," said Menzies, "represents the concrete expression of saving 'for a home of our own.' Your advanced socialists may rage against private property even whilst they acquire it; but one of the best instincts in us is that which induces us to have one little piece of earth with a house and a garden which is ours, to which we can withdraw, in which we can be among our friends, into which no stranger may come against our will."

Menzies understood that the human instinct to build and bequeath a home to our children sent lasting ripples through every aspect of social life. He went on:

"I do not believe that the real life of this nation is to be found in the great luxury hotels or so called fashionable suburbs. It is to be found in the homes of people who are nameless and unadvertised, and who, whatever their individual religious conviction, see in their children their greatest contribution to the immortality of the race. The home is the foundation of sanity and sobriety; it is the indispensable condition of continuity; its health determines the health of society."

And Menzies matched his words with deeds. He presided over an Australia with enviable levels of home ownership. Nor is it any coincidence that this was an Australia with low levels of unemployment, low interest rates, high immigration, and a high degree of social cohesion.

During the Menzies era many hundreds of thousands of migrants came to Australia and they and their descendants have, beyond all proportion to their numbers, helped to make this nation what it is today. But the Great Australian Dream is slipping away. As Menzies said, people save to buy homes. When they own their home they express their values within it; they improve it; and they instil a respect for property to their families which permeates the whole of society. The family home becomes the symbol of family life from one generation to the next. Our homes are our best schools and our most efficient hospitals. They give people a sense of belonging, of security and of having a real stake in our democracy.

In the absence of high levels of home ownership, or any realistic aspiration towards home ownership, our society would be unrecognizable from the nation built by Robert Menzies and Randal Dossetor. The incentive to work hard, to save, and to become engaged as a citizen would decline. The widespread understanding throughout Australia of property rights, which is based on home ownership, would diminish.

But the changes we are now seeing are not the consequence of forces beyond our control. They have come about because we have passed the wrong laws and pursued the wrong policies - Federal, State and Local.

First and foremost, we have undermined the free market. The free market which is based on freedom of choice, honouring contracts and respect for property.

Wherever the free market has been permitted to operate; wherever property rights are secure and contracts honoured; the average citizen has been able to attain a standard of living never dreamed of before. Nowhere is the gap between rich and poor wider, nowhere are the rich, richer, and the poor, poorer, than in those societies that do not respect private property, and do not believe in the importance of contracts.

The current crisis in housing affordability contains an inescapable moral dimension. Governments of all persuasions have distorted the housing market - in both the supply and demand sides of the equation. At every turn they have been motivated by social planners who believe they 'know what's best for us!' Let me give you an example:

A few years ago I bought a block of land on a very busy main road in one of Australia's capital cities. I submitted plans to the local shire council to build 12 semi-detached home units on the land and, as the zoning allowed for such a development I didn't expect any problems. That was of course until I came up against the Council Town Planner who said he'd recommend the development be approved "*subject to the provision of noise attenuation devices*" across the front of the property – noise attenuation is a fancy name for sound proofing. I tried to point out that there were thousands of kilometres of main roads across the country with many hundreds of thousands of dwellings and it seemed to work in most places without "sound attenuation" – in any event I told him that the project was actually geared towards older people, many of whom actually prefer the noise of traffic and pedestrians – they said they felt safer there than in some quiet back street or cul-de-sac. But he was having none of it – he wanted his noise attenuation devices – personally, I think he just liked the phrase. Naturally I tried the commercial arguments on him that people who didn't like noise wouldn't buy them and that the market would sort it out. But for reasons known only to Town Planners but obscure to common sense, he rejected all my pleas and I installed the noise attenuation devices. But no sooner had I finished the job than the Royal Society for the Deaf bought all the units - every single one of them. I showed the Town Planner the contract and he couldn't even see the funny side of it.

My point in telling that story is not just about the addition of unnecessary costs but there is no greater insult to the integrity of a human being than for the State to presume it knows what's best for you.

Like I said earlier, Governments of all persuasions have distorted the housing market and today I want to focus on two aspects that are particularly galling. The first is land. This is currently the single most important factor affecting housing affordability. In no other area

of the housing market has the intervention of Government been so pronounced, so unsuccessful in its implementation, and so catastrophic in its effect.

In my home state of South Australia, the activities of the South Australian Urban Land Trust (SAULT) exhibit all the worst tendencies of government substituting its own wisdom for that of the market.

Throughout Australia, government land management agencies were formed to acquire and then hold large tracts of land so that a plentiful supply would be available to meet homebuyer demand. Their stated objectives were, and I quote *“to provide an adequate supply of land”* and *“maintain land affordability.”*

Over the past 10 years however, there has been a seismic shift in the approach taken by these government land coms. Among the goals of the new Land Management Corporation in South Australia (the old SAULT) now is to *“maximize financial returns to Government”*. Note the not-so-subtle shift of emphasis from the interests of the buyer to the interests of the seller. From *“maintaining land affordability”* to *“maximising returns to Government.”* Just think about that for a minute - from *“maintaining land affordability”* to *“maximising returns to Government.”* I suppose it was fairly predictable. The temptation to reap monopoly profits became irresistible to them. Land supply slowed to a trickle; prices went through the roof and governments reaped huge rewards from land which they acquired at a shilling an acre.

Governments have lined their own pockets, instead of meeting the needs of people seeking to buy a home.

The Government's approach to land management has been a disaster.

Let me give you another example. Over the past 30 years the cost of building a 15 square (135sq metre) house has increased 7 fold. The cost of land however has increased 70 fold with the average price of a 600sq/m allotment in SA increasing from \$2,000 to \$140,000 over the same period.

As you know, it's the same in every capital city. Blocks of land in the outer suburbs are now costing \$200,000 - \$300,000 each. Thirty years ago the land component of a house/land package represented 20% of the total cost – today it is more like 60%. Little wonder that first home buyers cannot get a foot in the door.

These facts speak for themselves. State Governments have failed miserably in their stated objective of managing the timely release of land to ensure affordable access to home ownership, and their urban growth policies have constricted land supply to the point where demand is now vastly in excess of supply. And to add insult to injury they are now profiteering through massive up-front charges and Stamp Duty.

Boosting immigration numbers, maintaining low interest rates and easy access to credit, bulldozing entire inner suburbs for urban renewal and yet at the same time holding back thousands of hectares of broadacre land, has to be one of the most outrageous examples of government failure seen in decades.

The irony is, State Governments took on the role of broadacre managers because they said the private sector couldn't be trusted with the job! And yet when one compares land prices (under public control) with house prices (under private sector control) we can see

quite clearly where the blame lies for the spiralling cost of home-ownership. In other words, if the private sector had been allowed to manage land supply like it has managed housing supply, we'd be enjoying land prices much lower than they are today.

I must confess I did appreciate the Federal Treasurer's recent criticisms of the States for their excessive land taxes and stamp duties. But attacking stamp duties is only tinkering at the edges. The Federal Government has more formidable weapons at its disposal to unlock affordable land for housing and I would urge the Prime Minister and Treasurer to use them.

One of those would be to use the Grants Commission to punish the States for the price gouging that is currently taking place. If States persist in skimming monopoly profits the Commonwealth should reduce their fiscal grants accordingly. Also, the ACCC should be asked to investigate the States' behaviour with respect to the Trade Practices Act. If a private company were to abuse their position to exact monopoly profits, you can imagine the outrage which would emanate from the ACCC's Chairman.

Even if the ACCC is not interested, we should be outraged at this situation. It is robbing an entire generation of the opportunity to build and own a decent home. The Federal Government should also put this on the COAG Agenda. That's the annual Council of Australian Government's punch-up over funding arrangements.

Let me now turn to another one of those urban myths – *“that fringe growth is an economic, social and environmental burden on the community.”* Those of us who wish to build or buy houses on the urban fringe are portrayed as environmental vandals who do not appreciate the charm of cosmopolitan inner city life.

This hostility to urban expansion is dangerous. If these doctrines had governed decision making fifty years ago, our great cities would be one quarter of their present size, and our lives would be much poorer as a result. The people who live on the urban fringe of our cities today are contributing to city and national life just as much as those who live in the inner suburbs, which by the way were once new, outer suburban developments themselves. People in today's outer suburbs love their homes and enjoy their lives. Visit any of Australia's leading homebuilders' exhibition homes and you'll find a dazzling array of state-of-the-art home designs incorporating the very latest in energy efficiency, home security, interior design, home-theatre entertainment and 'smart wire' technology.

Furthermore, brand new, state of the art infrastructure is far better equipped to accommodate larger populations than the ageing and sometimes decrepit, infrastructure of our inner cities. A Parliamentary Report a few years ago found that *“... the cost to the community of urban consolidation could actually be greater than fringe expansion because the cost of upgrading services in the inner suburbs is higher than building them new on the fringe.”* In other words, replacing or upgrading old water and sewer pipes and old electrical cables which were designed to accommodate 'x' number of people per square kilometre, to now cater for twice that number is, more expensive and more problematic than building brand new services on the fringe.

The second aspect I want to touch on is on the demand side and there are some things we can do to improve the ability of the thousands of voiceless people like young Matthew Gillard to gather the money together to enter the housing market. Matthew is 25 years old, has a job in retailing and lives at home with his parents. To be blunt, Matthew can't even get close to buying his first home.

The first solution for Matthew is the unlocking of individual superannuation accounts to allow people like him to put down a deposit on his first home. This again goes to the heart of the question of whether human beings are the best judge of their own interests and what enhances their lives. It begs the question, *“Can the Government plan your life better than you can?”*

It is now widely accepted that existing super schemes will find it very difficult indeed to achieve their stated objective of giving Australians a decent retirement income. With the level of taxes and surcharges on superannuation, the real winners are going to be the fund managers and retired union officials who populate the various boards of trustees of these funds. Matthew’s compulsory superannuation contributions are taxed on the way in, taxed on the way up and taxed on the way out. What hope does he have?

I used to run a newspaper advertisement with the headline, *“If you do nothing else, make sure you own your home by the time you retire.”* There is no better hedge against poverty in one’s later years than to be in one’s own home. It is absurd to deny people access to their own money which has been compulsorily channelled into some poorly managed scheme, when they could be making significant inroads into home-ownership.

It has to be emphasised, again and again, that by forcing young people like Matthew to forfeit nine percent of their wages into superannuation funds over which they have no control, the Government is making it much harder for them to save for a home deposit.

And here we have the link to the intergenerational debate.

This desperate shortage of housing stock is influenced by the fact that Australians are living longer. But rather than a problem, this significant fact contains the germ of a solution. While access to land and the capacity to accumulate a deposit are a problem for home buyers seeking to enter the market at one end, our ageing population reduces supply at the other.

Take an all too typical example. Enid Williams is 81 years old and living alone in a large home in which she and her late husband raised their children. She’s starting to become a bit frail and the task of maintaining the garden and the large dwelling is taking up a lot of her time and resources.

She’s feeling a little insecure about her personal safety and a bit lonely as the neighbourhood is undergoing “demographic changes.” People who don’t speak English are moving into the neighbourhood. There’s a shop with foreign language signs in the window. She’s not racist, it’s just all very unsettling. The problem is, she has nowhere to go. Suitability, rather than affordability, is the defining issue for her. Her son and daughter-in-law have been ringing various retirement villages and nursing homes but vacancies are few and far between. They found one that sounded good but it was half way across town and they found it difficult to get across and have a look because of their own work and children’s commitments every night of the week. They’re still looking. As an industry we must adapt to this emerging social phenomenon and become part of the solution. We must be the facilitators in this generational mismatch. Enid wants to move out. Matthew needs to move in.

The solution is to build more suitable accommodation for people like Enid. Independent living units, adaptable housing for in-place care, apartments for life, new cottages with

access to technology, user-friendly appliances – or as my good friend Mike Rungie of ACH might say – *“Leading choices for older people.”*

We’re already building housing which can be adapted to allow short-term nursing assistance when it’s needed. This is choice. This is the market offering the best solution. This is the market doing what governments and bureaucracies cannot do; namely allow individuals to reap the benefits of a life of hard work and wise planning to live in the manner which they choose. I can almost hear Randal Dossetor saying: "We are never too old to dream dreams!"

We will shirk our responsibilities in this sensitive debate at our peril.

Now I know the task before is daunting. By 2010 there will be 200,000 people needing beds in aged care facilities – up from 140,000 today. That’s an extra 60,000 new places needed over the next 6 years.

There are currently 3,000 aged care facilities in Australia. Of those 3,000 facilities, 1,000 are in good shape – the other 2,000 will need to be substantially re-built or replaced between now and 2008 when the new Accreditation Rules come into force.

In 1986 the Commonwealth Government spent \$800m on aged care. This year it will spend \$6bn. The problem isn’t going away. And let’s face it, the pace and scope of change in this area is rapidly outstripping the ability of Governments to manage it.

We must do much more to link social policy with housing policy. We will need to build 1 million new homes over the next five years to meet across the board demand.

To meet this challenge we must vigorously defend our core values. In particular we must attract, recruit, inspire and train a veritable army of entry-level trades people and professionals to ensure that we can meet the demands upon us. In that regard we can’t allow ourselves to go back to the bad old days of labour market regulation that is being touted in some quarters. The back-bone of this industry has always been the self-employed trade contractor – “the subbie.” He needs no introduction to any of you here. Independent, self-reliant, heading out of their driveways at six in the morning, cement mixers and generators in tow. We’ve always admired them and never begrudged them the money they make for their risk and effort.

Trade contractors are prime symbols of the Australian spirit. They embody the values that make our industry successful. No strikes, no demarcation disputes, it has been one of the few sectors of the economy to have escaped the clutches of the centralised wage-fixing system. The housing industry operates almost entirely on the basis of individual contracts between individual trade contractors and builders. As a result we have one of the most efficient, cost effective and dispute-free workplace arrangements in the country – and of course, world-class standards of housing.

Freedom and prosperity always go hand in hand.

The challenge of changing demographics, particularly the gradual ageing of our population poses the greatest test our industry has faced since the enormous wave of migration after World War II. But we’re not here today just to bemoan the darkness, we’re here to light a candle.

We need a National Home Ownership Forum through which we can bring together all the interests involved in this seismic shift. Critical to this process of bridging the gap between first home buyers and last homeowners is the not for profit sector. We need to engage them. They have valuable expertise and strong networks that need to be incorporated into this potential market. They share our desire to provide suitable accommodation for their client base and like us they know only too well the magnitude of the task ahead.

We live in a dynamic and challenging time. The Australia of today is unrecognizable from the sparsely populated continent that Randal Dossetor left in 1940 to defend freedom.

In our own modest way we must also act to defend and promote that freedom, and it will require character and courage. As the late Bert Kelly once said, *“Sometimes you just have to fight the battle on principle alone.”*

The plight of Matthew and Enid is not as formidable as that facing the youthful Randal Dossetor and his generation. Yet it is not melodramatic to suggest that in many ways the stakes are nearly as high. The outcome will, in a very real sense, determine what sort of nation we become.

In the spirit of our founder I commend us all to reflect on that central truth of our national ethos, that a home owning Australian is a self reliant Australian and that a nation whose people own their homes, own their future.

Like John D Rockefeller, Randal left “all of it”. If we fail this vision we will fail generations to come and prove to be unworthy of those who have gone before us.

Thank you.

PROFILE

Bob Day AO is Managing Director of Home Australia Pty Ltd, one of Australia's leading homebuilding companies. Home Australia owns some of the housing industry's best known brand names including Homestead Homes in SA, Collier Homes in WA, Ashford Homes in Vic, Newstart Homes in Qld and Huxley Homes in NSW. Total sales exceed \$300m per annum.

Bob was educated at the Gilles Plains High School and The University of South Australia.

He is National Vice President of the Housing Industry Association and Inaugural President of Independent Contractors of Australia. He also oversees the group's "Oz Homes" Housing the Homeless programme and is a member of the National Selection Advisory Committee for the Work for the Dole programme.

He employs 350 full time staff and engages approximately 1,000 trade contractors.

Bob was named the '1991 Westpac Young Executive of the Year' and the Australian Marketing Institute's '1993 Marketer of the Year'. In January 2003 he was made an Officer of the Order of Australia and in July 2003 was awarded the Centenary of Federation medal.