

Costello blames local red tape for housing crisis

Duncan Hughes

State governments and local councils were worsening the national housing affordability crisis with red tape that was driving up the cost of building and causing long delays, federal Treasurer Peter Costello said yesterday.

Mr Costello, speaking at an Australia-Israel Chamber of Commerce lunch in Melbourne, said the problem had got worse in the decade since the Productivity Commission estimated it was costing more than \$1 billion a year.

"Demand is not the problem in the housing market, the problem is supply," he said.

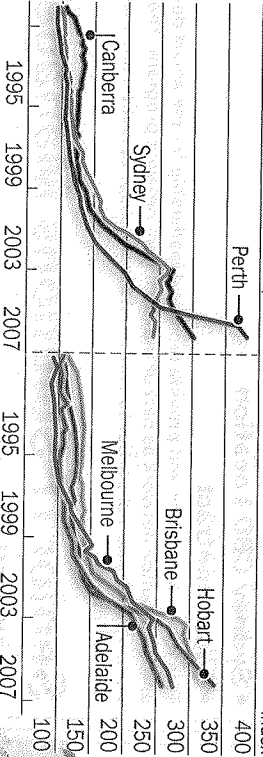
"Many of us who have tried to renovate homes, extend them, or build new homes have experienced the lengthy and complex local government approval processes."

Building approvals slumped by 5.6 per cent in May and are at the lowest level in six years, according to the Australian Bureau of Statistics.

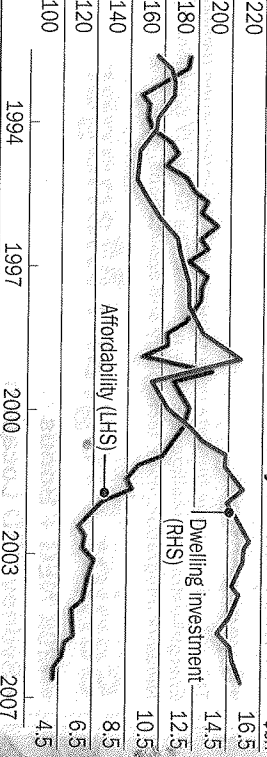
House approvals fell by 3.5 per cent during the period and apartment approvals were slashed by 10.6 per cent. But analysts said stable interest

SKY HIGH

Established house prices 1989/90=100



Home loan affordability

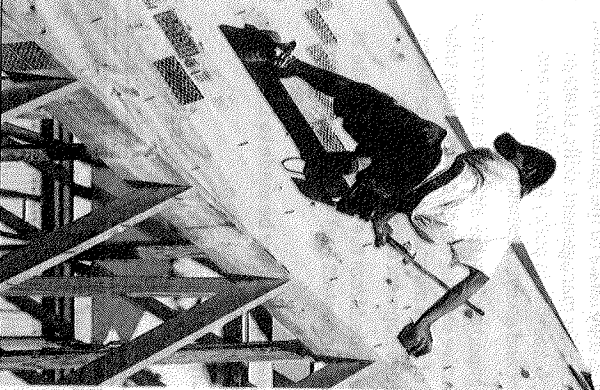


rates and rising household income and asset levels were setting the conditions for a recovery.

Research by the Royal Australian Institute of Architects shows it takes more than 20 weeks to get a

renovation or a new home approved in NSW and Victoria.

For increasingly popular medium-density housing, the delay could be more than 30 weeks, Mr Costello said.



Source: ABS

"These delays incur large costs and hamper our ability to meet our future housing needs," he said. "Indeed, record low vacancy rates show we are struggling to even meet our current needs."

Mr Costello, who was commenting on emerging population trends from the recent census, said demand for housing would grow because of rising population, increased life expectancy (where people stayed in their homes longer), the growth of single households and a decline in the average number of people per dwelling.

"This means increasing supply to meet demand. We need to address delays and blockage on the supply side of the housing market," he said.

Demand varies between capital cities, with Melbourne and Sydney recovering from recent dips and strong demand in resource-rich Brisbane and Perth, despite the markets coming off recent highs.

A spokesman for the Victorian government said it had ensured a 10-year supply of zoned land on greenfields sites around Melbourne, reducing land costs to about 40 per cent, compared with 55 per cent in Sydney and Perth.

Mr Costello, when asked about Canberra's role in education, predicted that the states' role would increasingly be "in the nature" of service delivery, with the federal government making the strategic decisions.