

8 May 2011



MEDIA RELEASE

Budget Needs To Focus On Productive Investment, Says HIA

It is essential that the upcoming Budget focuses on more than an attempt at returning to surplus in record time, says HIA, the voice of Australia's residential building industry.

HIA Chief Economist, Dr Harley Dale, said it is an important goal to balance the budget over the course of the economic cycle. "However, any move to return the budget to surplus in 2012/13 that is achieved by cutting or neglecting the urgent need for productive investment in core areas such as housing would be counter-productive and short-sighted."

"HIA reiterates that the timing could not be worse to strip any incentives out of the housing market and HIA would be disappointed to see any reduction in what little resourcing there currently is for housing-related portfolios. This year is all but guaranteed to be one of the weakest this decade in terms of new home building and comes at a time when as a nation we face a large and growing housing shortage, high rents, and poor affordability," Harley Dale said.

"Instead of concentrating on slashing and reaping, this year's Budget should accelerate reforms, including in housing supply, and in productive investment including in skills and infrastructure. This will not only help ensure Australians have access to life's essentials including housing, but will help lift Australia's productivity," said Harley Dale.

HIA hopes the Government uses the Budget to:

- Signal its commitment to addressing the nation's housing shortage by:
 - immediately introducing stimulus measures to boost new housing in recognition of building levels in 2011 that won't be much higher than the 2009 GFC-affected level;
 - reaffirming commitment to reforming the supply side of Australia's housing market; and
 - appointing a minister whose sole responsibility will be remedying Australia's housing shortage and ensuring Australia maintains an adequate supply of new housing in the years to come.
- Continue moving towards a national program of infrastructure investment by:
 - establishing mechanisms for private investors to invest in national infrastructure projects;
 - looking beyond the major, non-residential projects to address the inequities in current funding of new residential and community infrastructure; and
 - facilitate State and Local Governments to strengthen their capacity to deliver serious levels of new urban and community infrastructure.
- Address the shortage of skilled labour by:
 - committing to on-going substantial investment in skills and training to ensure the projected wave of retirees can be replaced by equally-skilled workers;
 - reform skilled migration policy to: ensure current demand will not unnecessarily contribute to wages and prices growth; and legislate a dedicated residential building immigration program.
- Bring certainty as to the future direction of tax reforms by:
 - reaffirming the Government's promise that taxation arrangements that are fundamental to housing investment (such as negative gearing and the capital gains tax discount) will be retained;
 - avoiding the imposition of any new taxes (including a carbon tax) that would further add to new housing costs;

- including as an agenda item at the October taxation forum the examination of how best to decrease the exorbitant taxes, charges and fees that are currently levied on new housing;
- committing to work with the states and territories to allow them to reduce and eventually remove stamp duties on the sale of new dwellings.

“The Government also needs to use the Budget to rethink its plans to introduce a carbon tax, the primary impacts of which will be to hurt Australian industry, put unnecessary pressure on prices including the cost of new houses, and deliver a net loss of jobs,” Harley Dale added.

For further information:

Harley Dale, Chief Economist

0414 994 186