MEDIA RELEASE

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Budget for Recovery

The Housing Industry Association, the voice of the residential building industry, believes the federal budget provides a plan for economic recovery and sensibly avoids the usual temptation of pre-election big spending commitments.

HIA's Managing Director, Shane Goodwin, said that while the Federal Budget is economically sensible and provides some useful incentives for households, businesses and workforce skills, it contained little to address Australia's chronic housing shortage and worsening affordability.

"Unfortunately, the budget fails to deliver measures to alleviate Australia's chronic housing shortage. The Federal Government's own Housing Supply Council estimates Australia's housing shortage at nearly 200,000 in 2010 and projects that shortage to double over the next 10 years.

"Australia's housing pipeline remains clogged by exorbitant infrastructure costs, planning delays and slow land release. Until these bottlenecks are removed many Australian families will remain locked out of home ownership as house prices and rents push ever-higher.

"The Federal Government rightly places an emphasis on infrastructure funding with a 10 year $5.6 billion infrastructure fund directed at "nation building".

However, housing infrastructure cost issues have not been addressed. The dramatic escalation of the housing shortage necessitates the ramping up of the Federal Government's Housing Affordability Fund (HAF) beyond the current $512 million previously allocated over a 5 year period.

"Importantly the Federal Budget shows an improved economic and fiscal outlook. The reduced federal budget deficit of $40 billion and improved economic growth and unemployment outlook is to be commended," said Mr Goodwin.

With the economy now in recovery, it is appropriate that the budget should be less stimulatory with a substantial reduction in the anticipated budget deficit. Getting the budget 'back into the black' through tight control of spending will help to align fiscal strategy with monetary policy and take some pressure off interest rates.

The budget adopts one of the most important reforms advocated in the Henry Tax Review with measures to lighten the tax burden on interest earned on savings.

Reducing the double taxation effect on interest earnings should assist in lifting aggregate saving by households over time.

By moving the mix of funding sources for banks away from expensive and volatile off-shore wholesale funds towards local savings, the reform measures have the potential to increase the availability of lower-cost borrowings for home mortgages and small business.

The budget makes an important investment in the future through the boost to skills training in the government's Skills for Sustainable Growth strategy. The strategy provides a much needed boost to business and the productive capacity of the economy with the potential for many new training places.

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