

# Planning red tape the real culprit

[Housing: The Great Australian Dream Project](#) | [Alan Moran](#)  
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A Malaysian-led consortium's proposal to rezone a new area for housing at Rockbank, near Caroline Springs, west of Melbourne, would bring hundreds of millions of dollars in profits. But these profits are not the reward of genuine wealth creation but a result of the Government's regulatory gouging of the home buyer.

Spring Street has created a shortage of new housing land, and massive profits are to be earned by anyone who breaches the regulatory walls. These profits are at the expense of the new home buyer, for whom the regulations that cause the shortage mean excessive prices.

High house prices are the inevitable outcome of government restrictions on building land availability. Melbourne's planning system aims to prevent the urban blight of new homes on the city's periphery and at the same time create the cafe latte society of dense inner suburbs. This is idyllic living for the planners and of the baby-boomer generation, but it means creating a shortage of development land. As with all shortages, the outcome is higher prices for development land and higher prices for the houses built on the land.

The losers are the young who cannot afford to mount the first step of the home ownership ladder. A \$300,000 home is simply unaffordable on the \$30-\$40,000 incomes earned by most people in the first home market.

High new home prices are not because of building costs - building the house itself has remained affordable. The culprit is the land component. For a typical new home this is \$112,000 compared with \$15,000 30 years ago.

The price escalation is purely due to urban planning restraints on land use - indeed, the dollar value of land prices would be a fifth of their present level if it were not for the planning system ramping up prices.

Urban planners, supported by impressionable urban greens, have produced regulations that prevent outer-urban land developments.

These elite have little conception of how land development restrictions raise prices. In any case, they share a sharp disdain for the aspirational and outer suburbanites who suffer the consequences.

The outcome of planning systems on new home prices was demonstrated in recent research on housing, "Bigger Better Faster More", by Policy Exchange in Britain. This offers firm evidence of the causes of the problem and its effects. It compares Germany, where there is a pro-housing planning approach, with Britain where, like Australia, there is a restrictive approach to the availability of land for houses.

In Germany, houses are a third bigger than those in Britain and, over the past 30 years, prices in real terms have shown a negligible increase compared with a doubling in Britain.

This is entirely due to the different approaches to allowing land to be made available for home building. In Germany, landowners have much greater rights to use it for the purposes they favour, including developing it for housing. In Britain and Australia, land use is dictated by planning agencies such as Victoria's Department of Sustainability and Environment, which severely restricts the areas where housing may be built.

The planning system's regulatory tax on the new home buyer creates a money tree for land that is zoned for urban development. This, in turn, creates opportunities for graft and corruption.

With the Rockbank proposal, developers and political entrepreneurs such as former Cain-Kirner minister David White, an adviser to the consortium, see opportunities to enrich themselves by getting regulations changed for their own benefit. White and his associate, the former federal Labor MP Neil O'Keefe, use their knowledge of the labyrinthine ALP decision structures to create a rezoning wealth bonanza.

As O'Keefe's former boss Paul Keating would have said: "If you pull this off it would be the sweetest victory of them all."

Planning Minister Rob Hulls is reviewing the urban growth boundary, which is the present manifestation of the zoning restraints.

The logical outcome of this would be to phase out the current restraints on land supply and sack the mob at the Department of Sustainability and Environment that has given us the escalating house prices. While reducing the artificially high housing land prices, this would also remove from the temptation of politicians a hidden honeypot of money that invites wasteful lobbying and political corruption.

But the minister has a vested interest in profiting from the artificial scarcity that the planning laws create. The bureaucrats can therefore rest easy and the new home owner will just have to wear the continued regulatory extortion.

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