



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



THE SENATE

PROOF

BILLS

**Treasury Laws Amendment (Reducing Pressure
on Housing Affordability Measures No. 1) Bill
2017, First Home Super Saver Tax Bill 2017**

Second Reading

SPEECH

Tuesday, 5 December 2017

BY AUTHORITY OF THE SENATE

SPEECH

Date Tuesday, 5 December 2017	Source Senate
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Questioner	Responder
Speaker Smith, Sen Dean	Question No.

Senator SMITH (Western Australia—Deputy Government Whip in the Senate) (12:51): Thank you, Senator O'Neill, for that very enthusiastic discussion of the benefits of superannuation in our country. I'd be the first one to join with you in acknowledging what former Prime Minister Keating did when he was Treasurer. I think superannuation has a very strong and sound place not just in our financial system, where it provides future investment opportunities in important projects, but in the benefit it has given ordinary Australians like my parents. I was born and bred in a working-class part of Perth, in Perth's northern suburbs, and am proud to say that my parents still live in their home of the last 40-odd years, with a very modest extension that allowed their two elder sons to not have to share a room anymore. These are the lived experiences of Australians. We know that providing Australians with affordable housing choices is a critical work program of any Australian government, and I'm pleased that this coalition government, led by Malcolm Turnbull, is doing exactly that. Giving Australians affordable housing choices and addressing other housing issues has been front and centre in the work of this coalition government and of Treasurer Scott Morrison, supported by the assistant minister, Michael Sukkar.

In the brief time available to me this afternoon I will share with the chamber what the government is seeking to do with these pieces of legislation and how the government proposes to do that. While the contributions of other senators with regard to the historical policy development in this area and broader economic areas provide interesting content for senators like myself to listen to, I think it is important that we focus on the current situation and how that informs our future policymaking. I'll speak briefly about that, drawing on some of the comments that the Assistant Minister to the Treasurer made in the last fortnight to the Australian Property Investors conference and also focus a little on the important issue of supply. I'm one of those people that believes discussions around housing access necessarily involve a discussion about the supply of land available for future housing stock. In addition to that I will talk about some commentary that has been made by the Reserve Bank of Australia in a submission to the House of Representatives inquiry into homeownership.

It doesn't matter what particular economic debate it is that we have to face in this chamber; it necessarily requires us to make decisions or choices about what sort of information we are going to rely upon in order to inform our decisions. We heard from Senator O'Neill that she puts a lot of faith in the informed or researched views of some elements of the trade union movement. I'm not saying whether that's right or wrong. I'm just reminding people that when we come to debate particular issues in this chamber we bring our own world view.

For my own part, I prefer to trust the judgements and historical evidence that have been accumulated by organisations like the Reserve Bank of Australia. I rely on the information that's brought forward in public debates and discourse from the Reserve Bank for a number of reasons. I do think that they have a corporate knowledge around these issues that is built on access to very substantial evidence that other stakeholders don't necessarily have.

I regard the Reserve Bank as genuinely independent. It would be very hard for anyone in our country to argue that it is not independent. Perhaps more importantly, when we think about who the custodians of the future economic management of our country are, some people will say, 'That's definitely Malcolm Turnbull, because he's the Prime Minister,' and some people will say, 'That's definitely the Senate chamber, because they're parliamentarians and they're interested in the economic future, and they want to win elections and get the support of constituents.' I argue that it's trusted institutions like the Reserve Bank of Australia, which will be there when Senator Smith moves on, when Senator Duniam moves on and, indeed, when Malcolm Turnbull is no longer the Prime Minister. Trust in the corporate knowledge, trust in the judgement—the very informed and, I'd say, considered and cautious judgement—of institutions like the Reserve Bank of Australia is certainly something that guides my views on these issues.

I'd like to share with the chamber and put on the public record a number of comments that the Reserve Bank of Australia made in a recent submission to the House of Representatives inquiry on homeownership. Its submission starts by saying:

The Bank recognises the importance of housing to the people of Australia.

There'll be little or no argument in regard to that. It says:

Shelter is a fundamental human need, and purchasing the home one lives in is usually the largest financial investment a household will make. The affordability of suitable housing is, appropriately, a central concern of government policy ...

So what we're dealing with here today is not just any bill, any piece of legislation. It goes to the heart of what is a core concern for every Australian—a core responsibility of every Australian government—and that is to make housing choices available to Australians.

I want to share with you three points that were made in this particular Reserve Bank submission. The first point is what is happening to aggregate homeownership in our country. The second is to provide some context to the commentary we heard last night when we were debating this bill, and when Senator O'Neill did this afternoon, about the appropriateness of the taxation arrangements regarding housing and how they compare internationally. The third put this in the most important context: what is the demographic change that's been happening in our country not just for the last few years but over the last decades? How does that inform government decision-making and whether or not government decisions are properly accommodating the demographic change and, as best they can, trying to understand what that demographic change might look like in the future?

If I turn briefly to the first point, the aggregate homeownership issue in Australia, the submission says:

The aggregate home ownership rate in Australia has been broadly steady since the 1960s. Prior to that date, the rate was much lower. The home ownership rate for typical first home buyer age groups has drifted down over several decades. The pace of decline has not increased noticeably recently, but the underlying drivers of the decline might have changed. These trends have been roughly offset by the ageing of the population, so that the overall home ownership rate has been stable.

That's interesting, because if you listen to some of the commentary in this place, but also the commentary more broadly, you would think that the homeownership rate in our country has been declining, or significantly declining. The RBA makes the very important point that aggregate homeownership in our country has actually remained stable. I put that point on the public record because I think it is important. If you listened to some contributions, you would think issues around housing and affordable access to housing are in a dramatic state of change. That's not true, and I use the aggregate homeownership point to demonstrate that there is a tremendous amount of underlying stability in our housing arrangements in Australia. But that's not to excuse the fact that demographic change—the ageing of the population, for example—is not an important issue and is not having a bearing on how we consider these issues into the future, and that is not to diminish the very, very important issue of homelessness in our country.

Secondly, could I make a point in regard to the taxation arrangements in Australia and how they compare internationally. The Reserve Bank of Australia's submission makes this point:

Housing, particularly owner-occupied housing, receives preferential taxation treatment in many countries, and Australia is no exception.

That's a true statement, and over the course of last night and this morning we've had people reflect on the appropriateness or otherwise of that taxation treatment. The submission further states:

Australia's taxation system is also relatively generous—

but, before people get too excited, let me finish the quote—

to small investors in buy-to-let property compared with some other countries, because investors can deduct losses from their investments against wage income as well as other property income, and because capital gains are taxed at concessional rates. However, there are some other countries where the tax preference for investor property is even stronger than in Australia.

I make that point to remind people—and I will be the first to admit, perhaps a little dangerously: I do think taxation arrangements regarding homeownership in Australia are worthy of more detailed discussion. I'm going to put

that right out there. Let's hope no-one's listening! I do think that—that's my honest opinion. But, more broadly, I make that point because I think it's important that we understand that, while on the surface of it, if you listened to some of the contributions last night, you would have thought that Australia had an overly generous taxation arrangement in regard to homeownership, that's not true. Yes, Australia does have a generous arrangement, but there are arrangements in other countries and other jurisdictions that are even stronger than Australia's.

The third point I would like to reference is the comment the Reserve Bank of Australia made in regard to demographic change, and I think this is the most important one. I think of my parents' experience, marrying in the late 1960s and raising three children in the early 1970s, my father being a policeman for 35 years and my mother having the choice to stay home and raise three very young children in Perth's northern suburbs. In respect of their homeownership, as young parents they bought a very, very modest home in Perth's northern suburbs—a state housing commission home. It had two bedrooms; now it's got three. It was in what was then the urban sprawl in Western Australia. I remember very fondly, having come down from Port Hedland before I started primary school at the local school, driving up a deserted street, and there was our house—I think it was the second or third one in the street. I think about that experience compared to my sister's experience as a young parent raising two children in Perth's far northern suburbs and the choices they made—they are both working—about the sort of home they moved into. If you listen to my parents, my sister and my brother-in-law decided to opt for a much larger house on a much bigger block. I say that just to demonstrate that community attitudes change, and we know they change; we only have to look at our own family's experience. But I digress.

I will share further comments made by the Reserve Bank of Australia in its submission to the House of Representatives inquiry on homeownership. It said:

Demographic change has been an especially important driver—

when considering homeownership issues in Australia. It continues:

In particular, the pronounced trend towards later marriage and family formation over the past 40 years or so would be expected to have reduced ownership rates. For example, the median age at first marriage for women rose from 20.9 years in 1974 to 27.9 years in 2010.

It goes on to some other commentary and reflection with regards to the immediate postwar experience. Then it goes on to say:

Whatever the cause, a trend to later marriage is likely to have resulted in deferred home purchase among younger people. Over recent decades there has also been an increase in the prevalence of single-adult households, particularly single-parent households, in part driven by significantly higher divorce rates since the 1970s. This trend is also likely to have weighed on the home ownership rate, as single adult households have a much lower tendency to own their own home.

In prefacing my contribution this afternoon, what I sought to do was reinforce the fact that, for my own consideration, I trust institutions like the Reserve Bank of Australia to give us the most impartial, nonpartisan view of the current dynamic with housing and this issue so that Australian governments can set policy direction; highlight the fact that demographic change is very, very important when considering what sort of legislative response we should have; add the arguments of the Reserve Bank to make the aggregate homeownership situation in Australia clear—we know from the evidence that it is stable and it is not in a state of serious decline, as some have tried to suggest; and put the taxation arrangements in their proper context, including how they fare compared to other international jurisdictions.

I know my colleague Senator Duniam wants to make some brief remarks on this legislation as well, so I might just—

Senator Duniam: Don't let me hold you up.

Senator SMITH: Thank you, Senator Duniam. I might just make these last—

An honourable senator interjecting—

Senator SMITH: I'm waiting for an interjection from my colleague Senator Whish-Wilson.

Senator Whish-Wilson: We fell asleep!

Senator SMITH: Thank you very much, Senator Whish-Wilson. I'm happy to wake you up now! To put the legislation in context, I think it is important to think clearly about what the government is seeking to do and how it is seeking to do it. From the outset—and this won't be new news to senators in this place—the government is trying to create the right incentives around ownership of homes and housing choices for our country, and, importantly, to improve housing outcomes across the whole housing sector. This includes improving housing outcomes for first home buyers; improving housing choices and outcomes for those who choose to rent or are forced to rent; improving housing choices for older Australians who are looking to downsize—I think this is probably the one area where a better understanding of demographic change and the rate of that demographic change will inform government policy settings quite critically; and providing affordable and community housing to ameliorate the suffering that is caused by homelessness. Of course, we know that homelessness has many causes. Certainly, lack of access to home and shelter is important, but we know that there are mental health considerations and other sorts of things. Senator Whish-Wilson, I'm happy to share with you my own family's experience with homelessness, but that is for another time.

We know that Australians deserve accommodation and housing choices, but at all times this reflects the changing lifestyle decisions that Australians make for themselves—the demographic change. In our own life cycles, as we move from being a young person to having a young family to having an established family and then to ageing, we know that those accommodation and housing choices necessarily change. Senator O'Neill talked about our superannuation system. It is a system that I am big enough to agree is a significant and important addition to our financial security, both as individuals and as a nation. I absolutely endorse that. These decisions the government has taken are informed and carefully constructed. Some would say they are modest, but I would say they are well designed and fine-tuned to make sure government is staying abreast of the housing needs of Australians, but also mindful of the fact that demographic change is driving a reconsideration of our attitudes around housing, and that is very, very important. So, with those few remarks, I will take my seat.