

Essay Title
Date



omcshane@wk.planet.gen.nz
www.RMAStudies.org.nz

Centre for Resource Management Studies

158 Rangiora Road, RD2, Kaiwaka
Northland 0582, New Zealand
T 64 9 + 431 2775 F 64 9 + 431 2772

Select Committee to consider Housing Affordability

Let the Bells Ring Out.

National's Housing Spokesman, MP Phil Heatley has persuaded the Commerce Select Committee to hold an enquiry into Housing Affordability.

The Prime Minister's initial response was that such an inquiry was not needed, and the Government was doing what it could to ensure housing was affordable. However, Labour does not have a majority on the nine-member committee and the vote to hold the enquiry was unanimous.

Here are the members of the Committee. We should wish them all well.

Commerce	Chairperson	Brownlee, Gerry	National Party, Ilam
Commerce	Deputy-Chairperson	Copeland, Gordon	United Future, List
Commerce	Member	Hereora, Dave	Labour Party, List
Commerce	Member	Jones, Shane	Labour Party, List
Commerce	Member	Laban, Luamanuvao Winnie	Labour Party, Mana
Commerce	Member	Power, Simon	National Party, Rangitikei
Commerce	Member	Street, Maryan	Labour Party, List
Commerce	Member	Tisch, Lindsay	National Party, Piako
Commerce	Member	Worth, Richard	National Party, List

It is only right and proper that this enquiry should be vested in the Commerce Committee because the Smart Growth policies which are making housing unaffordable are also impacting adversely on every aspect of the economy. Smart Growth (or Dense Thinking) is driving up our interest rates, which in turn overvalues our dollar, which in turn harms our exporters which in turn boosts our current account deficit. The same policies which make housing land so expensive also drive up the price of industrial and commercial land – if you can find any to start with.

Furthermore, Smart Growth promotes urban congestion as a means of forcing people out of their cars and onto public transport, even though the end result is simply more congestion and falling market share for public transport because buses need clear roads too.

Essay Title
Date



Centre for Resource Management Studies

Gordon Copeland will be a key player on the Committee – for the obvious reason that his vote determines the majority. His heart and mind would appear to be in the right place. He has sponsored the *NZ Bill of Rights (Private Property Rights) Amendment Bill*, and, because the United Party is committed to “family values”, he will no doubt seize this opportunity to promote the party’s profile.

The Maori and Polynesian Labour members of the Committee must be concerned about the way Smart Growth prices their people out of the market. After all, “growth management” was first introduced into the US to price Blacks and Hispanics out of white neighbourhoods after the Civil Rights legislation of the sixties made it illegal to simply zone them out – as had been the common practice.

However, the decision had barely been announced when TV One News told us:

“Housing Minister Chris Carter says he has no problem with an inquiry if it brings together strands of work already being done by the government on housing matters. But he says if it is just going to be a front for the opposition to attack the RMA and to open up more land to speculators then he is not interested in it”.

Given that the vast majority of “speculators” in the land market are ordinary New Zealand families, the Minister is really saying that no more land should be provided for residential sections, and that the RMA must remain untouched. In that case all that is left is the bundle of further interventions and distortions being proposed by his Ministry, none of which address the basic problem – the strangulation of the land supply.

His mind has been made up and is obviously immune to infection by any facts.

The RMA is not solely to blame. If it were, we would be the only country with unaffordable housing – and we are not. Smart Growth is a world wide epidemic.

This proposed inquiry is a major breakthrough and the result of an ongoing campaign over many years, by people in many countries, from many walks of life, and far too numerous to list. I must be in touch with a couple of thousand people within internet groups alone.

The problem we analysts had in the early days was comparing international and interstate performance. There were no agreed “measures”. Then, over time, the “median multiple index” gained widespread support as being simple, informative, and easily calculated using



existing and retrievable data. Then came the breakthrough of the two *Demographia* surveys which ranked the affordability of different housing markets around the world.

New Zealand came out very badly indeed. I do not believe anyone – with the possible exception of Brian Easton – continues to argue that there is no “affordability” problem in New Zealand.

The *Demographia* surveys make that untenable. For the first time we can now focus on what to do about it.

This Select Committee inquiry should steer the way.

Just as the Americans benefit from being able to compare the affordability of all their major markets the Committee should begin by asking *Demographia* to rank all the markets of New Zealand – not just the major cities. We already know from *Motu*’s research that housing in the Tasman/Nelson District is even less affordable than in Auckland, Melbourne and New York. It would be useful for all the other local bodies to know where they stand, and why.

Those who want to start thinking about submissions to the Committee could begin to get their heads around the issues by reading “*Boulevard of Broken Dreams*”, the excellent report prepared by the *Property Council of Australia*. This lucid report identifies the same causes of unaffordability as those which operate in New Zealand – the same ones I identified ten years ago in my reports to the Reserve Bank and to Simon Upton. Chris Carter, would evidently dismiss this report out of hand because it recommends three policy platforms:

1. Improve Development Assessment (independent commissioners etc),
2. Ensure Adequate land Supply to meet Demand (free up the land), and
3. Fairer Funding of Infrastructure. (Use long-term debt, not development levies.)

The Committee could maintain a running check on ill-founded proposals which only add more to the burden on young families’ shoulders. For example, the Greens are proposing to require double-glazing in all new houses to “save energy”.

But would it?

I continue to specify timber framed joinery. Timber sequesters carbon, while aluminium is one of the most energy-intensive materials, but one of the lightest. Double-glazing makes joinery much heavier and will require machinery to handle large assemblies rather than a couple of “burly lads”. The extra depth of the glazing increases the depth of all the profiles and will almost certainly price timber out of the market in favour of aluminium.

Essay Title
Date



Centre for Resource Management Studies

But in Northland we don't even need it. Remember, double-glazing keeps heat out as well as in and so makes solar heating less effective.

Finally, there is presently a huge market in recycled timber joinery – for refurbishing and extending existing older buildings, and even for new buildings. Making double-glazing compulsory would send all those timber frames from the demolition yards to the bonfire, or to the tip.

These hair-brained and expensive schemes are being driven by the fear of “Global Warming”.

And this reminds us of the similarities between “Smart Growth” and “Global Warming”.

Both are theories.

Designing theories, or hypotheses, is the creative side of science – as is the design of elegant and precise experiments to test them.

But both “Smart Growth” and “Global Warming” were accepted as “undeniable truth” before they had been properly tested. Smart Growth has already imposed massive costs and Global Warming is about to do so.

It's time to properly test them both. If this Select Committee successfully sheds some light on Smart Growth, maybe a future committee will do the same for Global Warming.

This is my 300th column for the National Business Review! Thanks for your readership.