

12 May 2014

Mr Lyndon Rowe  
Economic Regulation Authority  
PO Box 8469  
Perth BC WA 6849

Dear Mr Rowe

**Recommendation to abolish Keystart:  
Draft Report of Inquiry into Microeconomic Reform in Western Australia**

We refer to the Economic Regulation Authority's (ERA) invitation for submissions on the ERA's draft report into microeconomic reform in Western Australia.

We support the overall purpose and objectives of the inquiry towards improving the efficiency, performance and productivity of the State's economy.

We do, however, wish to register our opposition to the recommendation to abolish Keystart.

Satterley Property Group (SPG) is the State's leading residential land developer controlling a land bank of around 35,000 home sites with an end value of \$7billion. We are market leaders in developing master planned communities and over our 34 year history have developed more than 160 residential estates which provide attractive and affordable lifestyle options for home buyers.

A key priority for SPG is the delivery of affordable housing. The increasing cost of housing is a major challenge throughout Australia but more so in Western Australia, and metropolitan Perth and Peel in particular, where housing supply has not kept pace with population and economic growth, forcing up the price of housing to buy and to rent.

We fully support the State Government's commitment towards increasing the supply of affordable housing, particularly for those on low to moderate incomes, and the range of initiatives set out in the Government's *Affordable Housing Strategy 2010-20: Opening the Doors to Affordable Housing*.

A key element of the Governments strategy is the Keystart Home Loan Program.

In our view, Keystart has been very effective in enabling households on low to moderate incomes to transition from rental to home ownership through a lower deposit than required by private financial institutions. It is widely recognised that saving for a high deposit and fees can be a major barrier to home ownership, particularly for those entering the housing market for the first time.

If Keystart were abolished, those unable to meet the eligibility criteria for home ownership from private institutions would need to compete in the rental sector and, if unsuccessful, would need to resort to social housing and ultimately could become homeless.

From a Government budgetary point of view, abolition of Keystart will lead to increased budgetary pressures on the State Government to increase the already overstretched social housing as well as to address the economic and social problems of homelessness.

From a wider economic perspective, the reduced capacity to deliver affordable housing is likely to impact on the future prosperity and productivity of the State by reducing WA's ability to attract key workers because of high house and land prices. Keystart, along with other Government initiatives, also helps moderate the cyclical nature of the economy, which can have particularly volatile impacts on the land development and housing industry, and thereby assist in stabilising employment in construction, a major employer in the state.

Keystart has assisted over 85,000 borrowers since it commenced in 1989 and many have since transitioned into loans from private institutions highlighting the significant role of Keystart in facilitating home ownership throughout the financial sector.

Keystart has operated profitably since its inception in 1989 and, given the ongoing pressures on housing affordability, the justification for its continuation is as compelling today as when it was first introduced.

We, therefore, strongly oppose the recommendation to abolish Keystart.

We appreciate the opportunity to comment on the ERA's recommendations.

Yours sincerely,

✓ Nigel Satterley AM  
Chief Executive  
Satterley Property Group