

## **UDIA SUBMISSION TO THE NATIONAL COMMISSION OF AUDIT**

The Urban Development Institute of Australia (National) welcomes the opportunity to provide this submission to the Australian Government National Commission of Audit. The Urban Development Institute of Australia (UDIA) is the peak body representing the property development industry throughout Australia.

UDIA aims to secure the economic prosperity and future of the development industry in Australia, recognising that national prosperity is dependent on our success in housing our communities and building and rebuilding cities for future generations.

Our members cover a wide range of specialist and industry fields, including: Developers, Valuers, Planners, Engineers, Architects, Marketers, Researchers, Project Managers, Surveyors, Landscape Architects, Community Consultants, Environmental Consultants, Lawyers, Sales and Marketing Professionals, Financial Institutions, State and Local Government Authorities, and Product Suppliers.

UDIA recognises that Commonwealth finances are currently under increasing strain, and the Commission of Audit will seek to rationalise Government spending. This is an important undertaking for the ongoing viability of the Australian Government, and the long term strength of the Australian economy.

Whilst difficult decisions will need to be made and expenditure cut in certain areas, the Government must consider the importance of the housing and development industries to the Australian economy. Decisions to cut expenditure or government initiatives must be made with consideration to their wider social and economic impacts, not just their budgetary impacts.

The development industry is a willing participant in trying to achieve the goals of housing delivery, affordable housing provision and improved sustainability outcomes. However, these goals partly require good public policy to foster the desired outcomes. UDIA is committed to working with the Government in achieving such outcomes and we urge the Government to consider the recommendations put forward in this submission.

In 2010, UDIA, on behalf of its members, commissioned Property Insights to undertake an economic impact study of the property development industry in Australia. The study confirmed the sector's significant influence on the Australian economy, as evidenced by the below findings:

- The property development industry directly accounts for 7.3% of GDP and, taking into account indirect impacts on the rest of the economy delivers an additional 6.2% of national output
- The property development industry directly accounts for 975,700 full time equivalents (FTEs) directly (9.1% of the workforce) and a further 749,600 FTEs (7% of the workforce) in the broader economy
- The direct impact of \$1 million invested in the property development industry results in:
  - 6.7 full-time equivalent jobs generated in the property development industry
  - State and Federal taxes increasing by \$73,458
  - An addition of \$235,733 to wages and salaries
- The total (direct and indirect) impact of the \$1 million invested generates in Australia:
  - 11.8 full-time equivalent jobs
  - State and Federal taxes of \$146,474
  - An addition of \$885,880 to wages and salaries
- An investment of \$1 billion in the development industry in each State would directly add 0.4% to nominal GDP, while a further 0.3% would be added to nominal GDP as a result of the impact on associated industries
- Over half (56.6%) of all Australian private investment – equating to \$146 billion – is undertaken by the property development industry; 9.1% of the workforce is directly engaged in the development industry, with a further 7% engaged in other industries due to the development industry
- From 1999/2000 to 2007/08 the total factor income of Australian industries grew in current prices by 7.3% per annum. Only the mining industry, a reflection the resources boom, had a stronger annual compound growth rate (of 15.6%) than the property development industry (9.8%)
- As a conservative estimate, the property development industry, both directly and through associated industries, generated in excess of \$29.7 billion of State and Federal taxes in 2007/08
- State and Territory taxes paid directly by the development industry totalled \$2.8 billion in 2007/08, with a further \$1.1bn being paid by industries associated to the development industry
- The property development industry contributes \$36 billion of wages and salaries (6.7% of all wages and salaries) and an additional \$40.4 billion in the rest of the economy

## **SUMMARY OF RECOMMENDATIONS**

- Retain the NRAS, and commit to increased and ongoing funding to the scheme and an expanded dwelling target.
- Work with industry to ensure that the core work previously undertaken by the NHSC is continued within the relevant federal department, and made publicly available.
- The Commonwealth must play a leadership role in cooperating with state and territory governments to improve the supply of urban land.
- Regularly audit Commonwealth owned land to determine if ongoing possession by the Commonwealth is its best use, and if not, make it available for housing development.
- Consolidate local infrastructure enabling programs, such as the Housing Affordability Fund and Building Better Regional Cities, in to one major local infrastructure fund, and commit to ongoing and increased funding to such a scheme.
- The Commonwealth should play a role in benchmarking housing infrastructure costs around the nation, with a view to reducing those costs.
- Investigate a range of options (infrastructure bonds, asset sales, market mechanisms, tax increment financing, institutional investment, government borrowing, etc.) to ensure adequate funds are available to build the infrastructure that Australia needs.
- The Commonwealth should work with state governments to use its fund raising ability to provide more funding to local governments and relevant state agencies for the funding of local infrastructure.
- Strengthen the role of Infrastructure Australia, and commit to rigorous and comprehensive cost benefit analysis to ensure the greatest value for money on new infrastructure projects
- Proceed with the creation of a 'one stop shop' for environmental approval by devolving federal approval responsibilities to the approval process existing in each state.
- Abandon the practice of cost recovery under the EPBC Act.
- End ongoing attempts to introduce new noise metrics in to the process for planning around airports.
- Create a new housing ministry with a minister charged with responsibility for coordinating housing related policy at a federal level.

## **FEDERAL HOUSING INITIATIVES**

Australia is currently experiencing a shortage of dwelling stock and a subsequent scarcity of affordable housing. UDIA has welcomed federal initiatives designed to increase housing supply and address Australia's affordability pressures, such as the National Rental Affordability Scheme (NRAS) and the National Housing Supply Council (NHSC).

In recent years, commitment to these schemes has wavered amid a tight fiscal environment. It is essential that the Commonwealth Government takes a leadership role when it comes to addressing Australia's housing affordability problems, by continuing to support these and other federal housing initiatives. Failure to do so will all but ensure that the housing supply crisis and associated economic and social impacts will continue to worsen.

### ***National Rental Affordability Scheme***

The National Rental Affordability Scheme was launched in 2008 to provide financial incentives for the construction of dwellings to be rented at below market rates to low and moderate income households. After getting off to a slow start, the NRAS has emerged as a viable solution to delivering much needed affordable rental dwellings.

Since its inception, the NRAS has been successful in providing tens of thousands of homes affordable to those on low incomes, with thousands more currently under construction. It also provides investors with an attractive investment return, and represents good value in government spending compared to alternatives such as directly funding the construction of social housing.

UDIA recognises that there is room for improvement in the implementation and administration of the NRAS, but fundamentally believes that it provides a productive partnership between the Federal Government, State Governments and the private sector to supply affordable housing. As such, **UDIA urges the Commonwealth to substantially retain the NRAS, and commit to increased and ongoing funding to the scheme and an expanded dwelling target.**

### ***National Housing Supply Council***

The NHSC was established by the Government in May 2008 to provide essential data and research to both government and industry on housing supply, demand and affordability. Its flagship publication, the State of Supply report, was the first publication to comprehensively outline and quantify the extent of Australia's housing supply problem, and was one of the best bodies of research available for informing housing supply and affordability policy.

Prior to the establishment of the NHSC, there was a severe lack of data and research on housing supply and affordability issues in Australia. UDIA National advocated strongly for the initial

establishment of the NHSC, and was subsequently very disappointed by the Government's decision in November 2013 to abolish it.

UDIA believes that the underlying research and provision of quality data that the NHSC was undertaking was vital to informing both industry and Government policy on Australia's ongoing housing supply problems. **The Government should work with industry to ensure that the work undertaken by the NHSC continues to be undertaken and made publicly available.**

## **LAND SUPPLY**

Releasing a steady stream of serviced land is a key to addressing Australia's housing supply and affordability challenges. The trend of declining levels of serviced land in most capital cities threatens future supply, and has a severe negative impact on housing affordability.

While the barriers to supply vary from state to state, there are commonalities nationwide. For one, the roll out of infrastructure is delayed in most jurisdictions, and is holding up vast areas of developable land. In addition, planning approval processes throughout Australia are characterised by delays and uncertainty. Another common barrier in most jurisdictions is ever-increasing infrastructure and environmental charges or homebuyer levies, which are adding to the cost base of developments, and rendering many projects too expensive to pursue.

The Government has made a commitment to work with the States and Territories to reduce red tape holding up the supply of housing and construction, and to increase land release for new homes. UDIA strongly supports this commitment, and believes that **the Commonwealth must play a leadership role in cooperating with state and territory governments to improve the supply of urban land.** One avenue for achieving this is through a renewed COAG process, building on the findings of the Housing Supply and Affordability Reform (HSAR) working party.

Another option available to the Commonwealth to improve the supply of urban land is the release of surplus Commonwealth owned land for use in housing. Many Commonwealth sites such as military instalments and CSIRO sites are underutilised, disused or surplus to requirements, and could be better used as housing.

Due to their age, many of these sites are in central capital city locations with good existing access to community infrastructure such as schools, jobs and transport infrastructure, making them perfect for infill housing development. Selling surplus lands would also have the added benefit of generating revenue for the Commonwealth, and eliminating the costs associated with the long term management of unneeded land.

**UDIA believes the government should regularly audit Commonwealth owned land to determine if ongoing possession by the Commonwealth is its best use, and if not, make it available for housing development.**

## LOCAL INFRASTRUCTURE ENABLING INITIATIVES

One of the most fundamental challenges to providing affordable housing to support Australia's growing population is ensuring that adequate local infrastructure such as water pipes, sewerage, roads and parks is provided in new developments. In many cities, the release of serviced land for new housing is significantly delayed or prevented by inadequate provision of local infrastructure, further constraining housing supply and exacerbating affordability pressures.

Launched in September 2008, the Housing Affordability Fund (HAF) provided some \$400 million to increase the supply of affordable housing by funding local infrastructure. The HAF represented recognition of the major challenges afflicting developers as the funding was supposed to specifically address ever-increasing infrastructure costs as well as holding costs brought on by long planning and approval times. Some 75 projects countrywide attracted funding from HAF resulting in an increase in affordable housing.

The Building Better Regional Cities (BBRC) initiative was announced in July 2010 with the goal of investing in local infrastructure projects that support new housing developments in regional cities. Through the scheme the Government has allocated \$112 million to some 16 communities for various infrastructure-enabling projects. Both the HAF and BBRC have been highly successful at reducing the cost of infrastructure in new areas, and have been strongly supported by industry as a way to increase the supply of serviced land and improve housing affordability.

While UDIA applauds existing efforts to address the cost of infrastructure in the development process, we believe a number of programmes with relatively low levels of funding are unlikely to significantly increase the supply of affordable housing. **The Commonwealth should consider consolidating local infrastructure-enabling programmes, such as the Housing Affordability Fund and Building Better Regional Cities, into one major local infrastructure fund and commit to ongoing and increased funding to such a scheme.**

An additional concern is the growing trend for governments to fund local infrastructure through the use of up front 'developer levies', which can be as much as \$150,000 dollars per home, and are ultimately passed on to new home buyers. These charges are opaquely determined, and are often well in excess of the cost of the infrastructure being provided. **The Commonwealth needs to play a major role in benchmarking housing infrastructure costs around the nation, with a view to reducing those costs.**

## INFRASTRUCTURE FUNDING AND PROVISION

Efficient and effective local and national infrastructure is absolutely essential to the strength and productivity of the Australian economy, as well as the livability and international competitiveness of

Australia's major cities. Australia is currently suffering from a severe and growing deficit of infrastructure, putting our cities under strain and dragging on economic growth.

One of the key challenges to providing the infrastructure that Australia needs will be securing the finance to fund it. It is likely that no single solution will be sufficient, which is why the **Commonwealth should investigate a range of options (infrastructure bonds, asset sales, market mechanisms, tax increment financing, institutional investment, government borrowing, etc.) to ensure adequate funds are available to build the infrastructure that Australia needs.**

**Furthermore, the Commonwealth should work with state governments to use its fund raising ability to provide more funding to local governments and relevant state agencies for the funding of local infrastructure.**

Whilst productive government investment in infrastructure can deliver enormous net benefits to the Australian economy and broader Australian society, poor investment decisions where the cost of building infrastructure exceeds the benefit it provides is both economically damaging and a strain on government resources. In the current weak economic climate and constrained budgetary environment, getting the best value for money in new infrastructure investment is critical.

Infrastructure Australia was established in April 2008 to provide independent, expert advice to the government on Australia's future infrastructure needs, mechanisms for financing infrastructure, and efficient infrastructure delivery. **UDIA strongly supports the work of Infrastructure Australia, and believes the Government should strengthen its role and influence in guiding decisions on Australia's infrastructure.**

### **GREEN TAPE**

UDIA is fully supportive of the goals of the Environment Protection and Biodiversity Conservation (EPBC) Act, and we believe that if applied efficiently this legislation can contribute towards achieving the triple bottom line of sustainability. However, our members have firsthand experience of some of the problems associated with the application of the Act.

The current system in which the EPBC Act is invoked late in the planning process and State and Federal processes are routinely duplicated is unsustainable. Duplication of State and Federal environmental processes results in significant costs and delays for development projects. A failure to streamline the process will exacerbate housing delivery and adversely affect housing affordability.

UDIA and the development industry have warmly welcomed the Government's decision to implement a 'one stop shop' for environmental approvals by devolving federal approval responsibilities to the approval process in each state. This decision is likely to improve approval times and reduce costs for both developers and the government, whilst maintaining the objectives of the EPBC Act.

UDIA continues to be concerned with the level of cost recovery undertaken by the Commonwealth in the application of the EPBC Act, as it is inequitable and unjustified where the community should expect a Government agency to function within budget funding. A greater deal of long term federal funding should be released to manage the conservation of species listed under the EPBC Act. In the absence of such funding, the onus to fund the protection of flora and fauna will continue to fall on the various State/Territory Governments and developers. Increased Federal funding will also allow the listing of species of national environmental significance to be accompanied by funded and publicly-available recovery plans.

## **AIRPORT PLANNING**

The Australian Noise Exposure Forecast (ANEF) system is the principal system currently used for making planning decisions in the vicinity of airports. It has existed for over 30 years, and continues to provide developers, land owners, planning officials and airports with clear, consistent and predictable planning outcomes.

UDIA remains deeply concerned by repeated attempts by the Commonwealth Department of Infrastructure and Regional Development to undermine the ANEF system by introducing new and additional noise metrics. UDIA believes the introduction of the metrics outlined in the National Airports Safeguarding Framework and proposed by the Department would unnecessarily sterilise vast tracts of land from development, and increase delays, complexity and uncertainty in the planning system for little benefit.

The noise contours currently used in the ANEF system are based on research originally undertaken by Australia's National Acoustic Laboratories to establish acceptable levels of noise disturbance, and are a highly scientific and sound methodology. In contrast, the proposed noise metrics are subjectively defined and not based on any technical analysis.

UDIA strongly maintains the view that the existing ANEF system has been very effective in delivering certainty and consistency in land use planning around airports across all Australian jurisdictions. **The Federal Government should end its ongoing attempts to unnecessarily modify what is already a highly successful system.**

## **NEW HOUSING MINISTRY**

Housing construction and development is a large and crucial industry with wide reaching employment, social, economic, and environmental impacts. Presently, the ministerial responsibility for housing is spread across a handful of different ministerial portfolios.

For example, housing supply policy is dealt with by the Department of the Treasury; Commonwealth property is dealt with by the Department of Finance, social housing policy is dealt with by the



Department of Social Services; urban infrastructure is dealt with by the Department of Infrastructure; and the urban environment, sustainable communities and population policy is dealt with by the Department of the Environment.

This dispersion of responsibility across multiple portfolios limits the effectiveness of the Government to form and coordinate overarching policies to address Australia's ongoing housing problems. As a result of this poor coordination, policies and initiatives can be duplicated and in some cases are even conflicting, wasting government resources and reducing efficiency.

The housing construction and development industry is vital to both Australian economic and social stability through its impact on employment and housing affordability, so the absence of a separate ministerial portfolio for housing is a major problem. The government should consider creating a **Housing Ministry and charging a Minister with responsibility for coordinating housing policy in order to improve outcomes on housing, reduce duplication and improve government efficiency.**

### **CONCLUDING COMMENTS**

UDIA thanks the Australian Government for the opportunity to provide this Submission to the National Commission of Audit. UDIA would welcome the opportunity to discuss any aspect of this submission in greater detail. For further information, please contact UDIA National on 02 6230 0255 or at [udia@udia.com.au](mailto:udia@udia.com.au).

Yours sincerely,



UDIA National President