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Business Regulation Benchmarking
Productivity Commission
GPO Box 1428
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Dear Commissioners,

Performance Benchmarking of Australian Business Regulation - Planning, Zoning & Development Assessments - Draft Research Report

Thank you for the opportunity to comment on the Draft Research Report.

As identified in HIA's initial response to the Commission, planning systems, whilst well intentioned, often operate in a manner that slows rather than facilitates housing growth and development. The underlying objective for planning systems should be to facilitate economic development and productivity taking to account economic, social and environmental goals. Whilst the Commission rightly identifies in the Draft Report that planning systems are now dealing with a complex array of issues, such as population and demographic change, relieving congestion in cities, providing basic resources (energy and water) as well as ensuring our cities are liveable, all of these considerations are putting pressure on planning systems.

It is no wonder that most planning systems are increasing their complexity and as such are not well geared towards implementing the level of change required to house a growing nation.

The Commission has clearly identified in the Draft Report that there is a broad variation in planning processes and practices across the country. For example each jurisdiction is identified as having a different approach to planning for the supply of land, the charging of development levies and many basic planning processes including community consultation, appeal rights and referral mechanisms. By identifying the wide range of issues and challenges in planning, the Commission rightly draws attention to the complexity of our state and locally based planning systems and the challenges that lie ahead.

The Draft Report suggests a number of improvements that could be made to planning systems with which HIA is in broad agreement. HIA supports the intention of the Commission to suggest leading practices that could facilitate planning decisions and housing development in a more efficient manner.

The report makes reference to indicators on housing affordability. HIA, in partnership with the Commonwealth Bank, publishes quarterly data on housing affordability based on an affordability multiple. Whilst similar to other reports referenced in the Draft Report, HIA did not provide this information in our first submission and we considered it appropriate to do so now. The HIA report provides national, state and capital city information which may be useful to the work of the Commission. The most recent edition of the report – December 2010 is attached and more details can be provided if required.

The Report suggests that the regulatory systems for planning are in need of further reform. Several state governments have acknowledged this need and are working to deliver improvements. However history shows that these reforms are generally slow in delivery. This in some part may be due to the challenge of not being undertaken with a national framework, unlike building regulations. In HIA's view there would be merit in

the Commission commenting on the need for a national planning framework. This does not necessarily need to be in the context of having identical standards within each state and territory but ensuring that each state and territory has the same hierarchy of planning controls and processes to deal with certain matters. For example, the approval process for a single dwelling is vastly different across the states and territories. Some require one approval (a building approval) whilst others require two approvals (both planning and building) for the identical building on land zoned for residential purposes.

It is recognised that COAG has from time to time sought alignment of such issues, however it is hamstrung by the administrative framework which does not provide authority to the Federal Government to mandate these types of approaches. If each of the states was required by the Federal Government to conform with a national benchmark in this area it could influence the approvals process to achieve better outcomes through adopting a more streamlined approach.

The Draft Report highlights the complete lack of transparency in reporting and benchmarking within the planning system to date. HIA strongly supports the introduction of a range of benchmarking systems that could usefully show the reality of how our planning systems are currently operating.

The recent release of the *First National Report on Development Assessment Performance 2008-09* from the Local Government and Planning Ministerial Council only serves to prove that there is inadequate data available at the state and local level. It is considered that this report is not a strong example of the areas of benchmarking that should be undertaken, but does provide a useful first step.

The Draft Report notes that the supply of land is approached differently across jurisdictions and suggests that most focus exists in tracking residential land, as compared to industrial and commercial land. This may be the case, however it is critical to recognise that the veracity, timeliness and overall approach to monitoring of residential land is far from acceptable. Victoria, NSW, Western Australia and more recently the ACT do have a form of reporting in place which involves publicly releasing data. Even so, there is a broad variation in the matters addressed in each of these reports and it would be advantageous to both industry and governments if there were comprehensive and standard reporting measures in place regarding the availability of land for residential development in each of the jurisdictions.

The Draft Report highlights the issues around the densities of our cities and the potential benefits and costs associated with this. HIA's submission focused on this issue in great detail. Given the benchmarking nature of the Inquiry, it would be useful if the Commission were able to identify any tangible costs or benefits of urban consolidation and greenfield development, as identify by the jurisdictions or comment on whether the presumptions around greater use of resources and the like appear to be just that.

The Draft Report provides details on the funding of infrastructure through the imposition of levies and charges. It also highlights the lack of consistency of charges across jurisdictions. However it would be useful to comment on the manner in which the Commission sees infrastructure delivery as a whole should be managed within the planning system. The role of the state in allocating land through pre-zoning for infrastructure, along with the management of infrastructure delivery are critical to both new land release and to infill redevelopment. The improved coordination of this in all states and territories would provide significant support for more streamlined and affordable housing delivery.

The Commission rightly divides infrastructure into the categories of economic infrastructure and social infrastructure. It is the housing industry's experience that developers, and therefore homebuyers, are paying through higher development levies for items of social infrastructure.(i.e. hospitals, schools etc) which means that new homebuyers pay twice – once through general taxation and secondly through the purchase of new release land via development levies.

The Commission seeks input as to mechanisms that could be used to bind state bodies to deliver agreed infrastructure within the agreed timeframes and has suggested that a designated body responsible for this (in new development areas) might help. To have any real traction, the powers would need to be sufficient so that the authority is able to bind state agencies to their agreed implementation plans. The report also rightly mentioned that Victoria's Growth Areas Authority whilst responsible for delivering on the detailed planning of a new release area has no powers to compel the work to be carried out.

In terms of planning compliance costs, the Draft Report identifies the significant cost associated with the preparation of an application and supplementary material along with approval delays which lead to land holding costs for developers. In alleviating some of these the consideration of alternate assessment pathways is important and supported by HIA. Recognising that different planning applications will require different levels of assessment should be a fundamental basis of all planning systems.

To that end, the Draft Report also identified a number of leading practices in planning, which if implemented could help alleviate some of the identified problems. HIA is in broad agreement with most of the Commission's identified leading practices in planning which include concepts such as early resolution of land use co-ordination issues using strategic plans, engaging the community (in the planning process) early, the need for broad and simplified zones, adherence by authorities to timeframes and both a transparent and accountable approach to planning matters - are of which are noble aims.

HIA's does not support the implementation of new development levies for the provision of items of social infrastructure. Therefore the need for rational and transparent allocation rules for infrastructure costs is only supported where these levies currently exist. HIA's policy position supports funding of these items from a broader taxation base. A copy of HIA's policy statement is attached.

The Draft Report identifies the nature of referrals to state and territory agencies – and that the number of referral agencies varies greatly. Whilst the referrals are generally necessary, it is considered that having a broader strategic approach to the type of development that is permitted in an area may serve to cut the number of required referrals. As mentioned, applying binding timeframes with limited "stop the clock" provisions might also help. In addition HIA suggests a "deemed approval" system if a response from a referral agency has not been received within the designated time frame.

Finally, the Draft Report examines the impact of the Commonwealth on planning, with a focus on compliance with the Environment and Biodiversity Conservation Act 1999. HIA members have direct experience with the length of time taken and associated costs in meeting the requirements of this legislation, in addition to meeting state and local government requirements for the same matters. Whilst work to align the processes is underway, the opportunity for this report to benchmark the progress of that alignment would provide valuable guidance on what changes are still required. In general HIA seeks a more strategic approach to native vegetation and fauna management, rather than a site by site analysis.

Thank you again for the opportunity to make further comments in addition to HIA's original submission to the Commission's study into the Performance Benchmarking of Australian Business Regulation: Planning, Zoning and Development Assessments. If HIA can be of further assistance please do not hesitate to contact me.

Yours sincerely
HOUSING INDUSTRY ASSOCIATION LIMITED

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Attachment A

HIA POLICY - GOVERNMENT CHARGES AND LEVIES ON DEVELOPMENT

Policy Background

Levies and charges applied to development to cover physical and social infrastructure significantly affect housing affordability. They are in effect a tax on homebuyers. Not all states have an entrenched development levies system but most have moved down this path in recent times.

Policy Issues

Development charges and levies encompass two types of infrastructure provision:

1. *Development specific infrastructure* – items which are directly attributable to new development, defined as those items that are necessary to create the allotment without which the development could not proceed, for example:
 - local roads;
 - drainage;
 - stormwater;
 - utilities provision;
 - land for local open space; and
 - direct costs of connecting to local water, sewerage and power supplies.
2. *Community Social and Regional Infrastructure* – items of broader physical, community and social infrastructure for new development which are ancillary to the direct provision of housing and an increased population, for example:
 - headworks for water, sewerage and power supplies which may be part of a specific contributions plan;
 - community facilities such as schools, libraries & child care;
 - district and regional improvements such as parks, open space and capital repairs;
 - social improvements such as library books;
 - public transport capital improvements;
 - district and regional road improvements;
 - employment services;
 - subsidised housing; and
 - conservation of natural resources.

Levies of this kind are being viewed as a primary funding source for *community and regional infrastructure*, despite the benefits from that infrastructure being enjoyed by the whole community.

In summary *Development Specific infrastructure* establishes a nexus with the services necessary for the provision of the allotment or building whilst *Community Social and Regional infrastructure* establishes a nexus with the needs of the population who will occupy the premises from time to time.

HIA Policy Position on Government Charges and Levies on Development

1. Development specific infrastructure which provides essential access and service provision and without which the development could not proceed are considered to be core requirements for housing development and should be provided in a timely manner to facilitate affordable development. Infrastructure items within the boundaries of the development should be provided by the developer as part of the cost of development;
2. An up-front charge against development is the least efficient manner in which infrastructure costs may be recovered;
3. Broader community social and regional infrastructure should be borne by the whole community and funded from general rate revenue and borrowings as appropriate;
4. The imposition of up-front levies on new homebuyers is discriminatory, inflationary and erodes housing affordability;
5. Where up-front levies currently exist for broader community and social infrastructure and until such time as these levies are eradicated in line with dot points 1-4 above:
 - The establishment and calculation should be identified by the authority and be embedded within the planning schemes at the time of designation for urban development;
 - The manner in which the up-front levies are costed and collected should be transparent and cover capital and implementation costs only. All ongoing and maintenance costs should be recovered by means of an annual rate or charge;
 - Any levies implemented should provide certainty and consistency for future development and home owners, and once adopted not be subject to any change or variation apart from defined cost of living increases or similar to allow for inflation.
6. Any funds which have been collected for proposals which are not subsequently provided within the planned timeframes should be refunded to the occupiers either, as soon as the decision is made to eliminate the proposal or at the expiry of the specified time frame.