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Productivity Commission
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Canberra City
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2601

Submission on the Productivity Commission's Draft Report on Performance Benchmarking of Australian Business Regulation: Planning, Zoning and Development Assessments

The Urban Development Institute of Australia (UDIA) welcomes the opportunity to provide this submission to the Productivity Commission.

UDIA is the peak body representing the property development industry throughout Australia. Established at a State level in 1963, the Institute evolved to become a national body with a number of State-based divisions in 1970.

UDIA aims to secure the future economic prosperity of the development industry in Australia, recognizing 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 would like to congratulate the Productivity Commission on the thorough nature of this report. It is clear that the Commission embarked on a process of wide consultation and comprehensive research. Once finalised, the report will be a valuable tool for both industry and Government as we embark on a process of improving planning, zoning and development assessment practices.

In our original submission, prior to the production of this draft report, UDIA offered a summary of the major regulatory issues impacting the development industry in each of the

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five mainland states. We are pleased that a number of the issues and concerns we raised were covered in the draft report.

Through its process of benchmarking the States and Territories, the Commission has identified seven broad groups of leading practice which, if implemented, should create better planning and zoning outcomes. The seven groups which are broadly supported by UDIA are listed below:

- 1) Early resolution of land use and coordination issues using strategic plans
- 2) Engaging the community fully and early
- 3) Broader and simplified zones
- 4) Rational and transparent allocation rules for infrastructure costs
- 5) Improving development assessment criteria and processes
- 6) Tighter disciplines on timeframes
- 7) Better transparency and accountability

The draft report has confirmed what many development professionals already know: that planning, zoning and development assessment practices differ substantially in the various jurisdictions across Australia. UDIA has previously encouraged the States/Territories to subscribe to planning practices that are orderly, objective and nationally consistent as the current differing models in place throughout the country are extremely unproductive.

While the various planning systems are characterised as vastly different, the Commission finds that planning in all the jurisdictions suffer from a common ailment, “Objectives Overload”. The list of objectives continues to grow adding to the complex regulatory environment.

Through its best practice #1 *Early resolution of land use and coordination issues using strategic plans*, the Commission has made some valuable observations. This approach would see strategic land use plans integrated across all levels of government and made statutory. It would also strive for more efficient implementation mechanisms, including “one clear authority which monitors progress against the strategic plan”. As a method of achieving greater levels of accountability, UDIA supports the notion of one agency in each jurisdiction being responsible for both land supply and housing delivery outcomes.

The value of such accountability should not be underestimated as is evidenced by the draft report which highlights the shortcomings in the various jurisdictions with regards to existing benchmarking and performance indicators. The lack of reputable data at all levels of government is a barrier to the development of an effective system of performance measures.

There is a great need to develop benchmarks for certain factors which have financial implications for developers and home buyers, such as the timeframes for the processing of applications and the direct cost of fees. The Commission’s leading practice #1 advocates an implementation arrangement which establishes “clear accountabilities, timelines and performance measures”. UDIA strongly supports the establishment of a clear set of planning, zoning and development assessment performance indicators.

The report's findings on the supply of land in Australia's various jurisdictions make for interesting reading. All jurisdictions have vastly different approaches to planning for the supply of land. The draft report provides a glimpse of the lengthy timeframes endured by developers in bringing land to market; a sample of 20 residential developments in greenfield areas across the country found that the time between when a developable piece of land is assembled and the subdivision of that land is completed can stretch up to ten years.

Through best practice #1 the Commission has praised the utility of strategic plans. UDIA believes that all State/Territory governments (whether through such strategic plans or through other means) should be called on to maintain a specified rolling supply of developable land. This strategy should commit to identifying a fixed supply of land for future development, for example 25 years of zoned residential supply.

Timeframes, such as those experienced by developers in bringing land to market, are closely related to the issue of business compliance costs which was also evaluated by the Productivity Commission. The draft report details the extensive expenses facing developers in the form of holding costs and the outlay associated with the preparation of development applications. These costs contribute to Australia's affordable housing problem. The draft report's leading practice #6 calls for *Tighter disciplines on timeframes* and recommends that "except where processing times might necessarily vary greatly, statutory timeframes should be as maxima for planning processes". Such a practice would greatly benefit developers in providing a greater degree of certainty.

Another major barrier to achieving affordability in certain jurisdictions is the proliferation of 'developer contributions' or infrastructure charges. The draft report rightfully maintains that there is no consistency across the States/Territories in how these contributions are applied and collected. The report's leading practice #4 calls for the *Rational and transparent allocation rules for infrastructure charges*. It is essential that all jurisdictions commit to a fair and transparent method of calculating infrastructure charges.

UDIA supports the Commission's assertion that the funding from system-wide upgrades for infill development should be sourced from government borrowings. This would have a positive impact on the high costs associated with infill development. While the draft report's best practice #4 outlines a number of different approaches to the various types of infrastructure, UDIA is not convinced that any of the jurisdictions have developed an effective and equitable method of charging for infrastructure.

That is why UDIA has been calling for a Productivity Commission inquiry into the financing of local infrastructure. Such an inquiry should specifically examine the proliferation and impact of 'development levies' and evaluate alternative methods (possibly through some international examples) of financing infrastructure, such as tax increment financing or Government borrowing.

The draft report outlines the impact which the Commonwealth and specifically the Environment Protection and Biodiversity (EPBC) Act has on planning in the various jurisdictions. The Commission highlights the fact that under the current system, businesses can carry out a significant amount of compliance work only to learn that they are not required to take any actions.

The report also offers insights into the time and costs of compliance with the Act. Another of the draft report's observations - which is well known in certain sectors of the development community - is the need for developers to duplicate their efforts in consulting the threatened species list of both the relevant State/Territory and the Commonwealth. UDIA believes that the Federal Department of Sustainability, Environment, Water, Population and Communities should establish or revise bilateral agreements with all State/Territory Governments in relation to the EPBC Act. These agreements should create an integrated policy framework between the different levels of Government enabling single assessments to take place prior to urban zoning.

Concluding Comments

UDIA thanks the Productivity Commission for the opportunity to provide this submission. We look forward to the publication of the final report and 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.