



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

SELECT COMMITTEE ON HOUSING AFFORDABILITY IN  
AUSTRALIA

**Reference: Barriers to homeownership in Australia**

TUESDAY, 15 APRIL 2008

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**SENATE SELECT COMMITTEE ON  
HOUSING AFFORDABILITY IN AUSTRALIA**

**Tuesday, 15 April 2008**

**Members:** Senator Payne (*Chair*), Senators Bartlett, Colbeck, Fifield, Lundy and Moore

**Senators in attendance:** Senators Colbeck, Hutchins, Payne and Trood

**Participating members:** Senators Abetz, Adams, Barnett, Bernardi, Birmingham, Bishop, Boswell, Brandis, Bob Brown, Carol Brown, Bushby, Campbell, Chapman, Coonan, Cormann, Crossin, Eggleston, Ellison, Fielding, Fierravanti-Wells, Fisher, Forshaw, Heffernan, Hogg, Hurley, Hutchins, Johnston, Joyce, Kemp, Kirk, Lightfoot, Ian Macdonald, Sandy Macdonald, McEwen, McGauran, McLucas, Marshall, Mason, Milne, Minchin, Nash, Nettle, O'Brien, Parry, Patterson, Polley, Ray, Ronaldson, Scullion, Siewert, Stephens, Sterle, Troeth, Trood, Watson, Webber and Wortley

**Terms of reference for the inquiry:**

To inquire into and report on:

The barriers to home ownership in Australia, including:

- a. the taxes and levies imposed by state and territory governments;
- b. the rate of release of new land by state and territory governments;
- c. proposed assistance for first home owners by state, territory and the Commonwealth governments and their effectiveness in the absence of increased supply;
- d. the role of all levels of government in facilitating affordable home ownership;
- e. the effect on the market of government intervention in the housing sector including planning and industrial relations laws;
- f. the role of financial institutions in home lending; and
- g. the contribution of home ownership to retirement incomes.

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**Committee met at 9.02 am**

**CHAIR (Senator Payne)**—I declare open this meeting of the Senate Select Committee on Housing Affordability in Australia. The Senate established this select committee on 14 February 2008 and it is due to report on 16 June 2008. The terms of reference for this committee are as follows:

The barriers to home ownership in Australia, including:

- a. the taxes and levies imposed by state and territory governments;
- b. the rate of release of new land by state and territory governments;
- c. proposed assistance for first home owners by state, territory and the Commonwealth governments and their effectiveness in the absence of increased supply;
- d. the role of all levels of government in facilitating affordable home ownership;
- e. the effect on the market of government intervention in the housing sector including planning and industrial relations laws;
- f. the role of financial institutions in home lending; and
- g. the contribution of home ownership to retirement incomes.

To date the committee has held public hearings in Canberra, Sydney, Campbelltown, Karratha, Perth and Brisbane. This hearing is convened to receive evidence on housing affordability as it affects the Gold Coast and the Tweed Shire.

These are public proceedings, although the committee may agree to a request to have evidence heard in camera or may determine that certain evidence should be heard in camera. I remind all witnesses that in giving evidence to the committee they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee, and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee.

If a witness objects to answering a question, the witness should state the ground upon which the objection is taken and the committee will determine whether it will insist on an answer, having regard to the ground which is claimed. If the committee determines to insist on an answer, a witness may request that the answer be given in camera. Such a request may, of course, also be made at any other time.

[9.04 am]

**McCOOL, Ms Colette, Director, Community Services, Gold Coast City Council**

**ROWE, Mr Warren, Director, Planning Environment and Transport, Gold Coast City Council**

**CHAIR**—I welcome our first witnesses this morning and thank them very much for attending. I invite you to make an opening statement, and at the conclusion of that we will go to questions. Thank you for the pack of information that you have just provided us with. We look forward to having a look through that as well.

**Ms McCool**—The council really welcomes this opportunity to respond to the Senate Select Committee on Housing Affordability and particularly to report on the barriers to homeownership in Australia with particular reference to our city. The cost of housing, both for purchasing and rental, is much higher on the Gold Coast than in Brisbane and other areas of Queensland, and in some instances even higher than in Sydney. The lack of affordable housing in Gold Coast city is a significant social and economic issue for this city. Council's recent housing needs assessment identified Gold Coast city as having the fifth poorest housing affordability in all regions of Australia for working households. That is behind inner Sydney, the northern beaches of Sydney and the eastern suburbs of Sydney. We have included in your folder the housing needs assessment that was undertaken by our city. That is there for your reference.

I will give a little bit of information about our population growth. Gold Coast city is a sea change city undergoing significant population growth. Between 2005 and 2006, the Gold Coast experienced the largest increase of any local government area in Australia. This was 17,374 residents. The city's estimated residential population at 30 June was 507,439. By 2021 the Gold Coast city's population is projected to reach 683,568 people. Specific areas of the city are experiencing this higher level of growth. By 2021 the northern growth corridor of the city, the area based on Coomera, will be almost the current size of Cairns city. It will grow from 50,726 residents in 2006 to 127,658 residents in 2021, and this area will account for more than 41 per cent of the city's growth.

The cost of housing in Gold Coast city is greater than the cost of housing for Brisbane. Some of you may have recently seen that the median cost of rental housing on the Gold Coast is now higher than in Sydney. The median purchase price for a house in Gold Coast city in December 2007 was \$460,000. This was \$10,000 more than the Brisbane median house price. The median weekly rental for the Gold Coast is \$400, compared with \$330 for Brisbane, \$380 for the Sunshine Coast and \$390 for Sydney.

Another factor impacting on affordability is that the median incomes are lower on the Gold Coast. The result of this is that the proportion of income being spent on mortgage repayments or rents in Gold Coast city is higher than for Brisbane or Queensland. We are finding it increasingly difficult for low to moderately waged households to live in this city. These include hospitality and tourism staff through to police officers, health staff and junior teachers. An individual or household would need to be earning between \$80,000 to \$90,000 per annum to avoid the median house purchase price of \$460,000. An individual or household would need to be earning \$70,000 to afford the median rent on the Gold Coast of \$400 per week.

The Gold Coast has a very diverse housing market, comprising a mix of residential and tourist development. This complexity impacts on affordability and can make the market very competitive. Our housing market also has a much higher proportion of private rental compared with the Queensland average. This tenure comprises 32 per cent of the total market.

There are key structural issues that present a barrier to homeownership in Gold Coast city, including income and access to employment and public transport networks. I mentioned our lower incomes before. Additionally, the current distribution of housing mix and affordability across the city constrains access to the relatively affordable housing in the city for many of those who need it. The city's current public transport network is not adequate to meet the needs of its workers. Consequently, many are required to meet the costs of owning and running a car to access work, which presents a further stress and a barrier to homeownership.

Gold Coast City Council's involvement in housing, particularly around the issues of affordability, has shifted markedly in the past decade. In this it is similar to many other local governments around the country. For the past 10 years Gold Coast City Council has been researching and reporting on the issue of housing affordability in the city. This culminated in the development of the Gold Coast City Council housing strategy entitled 'Housing for all of us'. This was adopted in 2004.



Council's key responses to affordable housing include the contribution of \$3 million over three years to the Gold Coast Housing Company, a not-for-profit affordable housing provider—this resulted in a \$15 million commitment over three years from the Queensland Department of Housing; the adoption of incentives for not-for-profit providers of affordable housing, and this has included a 100 per cent rebate on planning assessment fees; negotiated planning outcomes for net community benefit; a dedicated assessment officer to streamline development approvals; and the provision of infrastructure rebates for not-for-profit affordable housing providers under the priority infrastructure plan, which I will call 'the PIP'.

Gold Coast City Council has provided rebates of up to 100 per cent on transport, sewerage, water and stormwater infrastructure networks, totalling \$365,000 in 2007-08. Council is considering incentives to the private sector in light of the Australian government's National Rental Affordability Scheme. Council also provides rates relief to community housing organisations of 100 per cent of the general rates charges. Council has also received negotiated contributions towards affordable housing from private developers under policy 18 of the planning scheme. These contributions would normally have gone towards public art, park embellishments or car parking.

Gold Coast City Council is addressing housing affordability through initiatives in the area of infrastructure and its planning processes. We are the only local government authority in Queensland to have developed and adopted a priority infrastructure plan, a PIP. This plan has been approved by the Queensland government and is a requirement under the Queensland government's housing affordability strategy. The PIP is currently being reviewed by the Queensland Competition Authority and a final report is due in May. The PIP is about to undergo a review, and this review will include a housing affordability study to determine the impact of infrastructure charges on the cost of housing. This study will be undertaken by external consultants and will include a peer review through an external advisory committee.

In June this year a major review of Gold Coast City Council's planning scheme will commence. This review will have a greater focus on housing diversity and affordability. It may include an affordable housing code and policy. Gold Coast City Council has implemented RiskSmart, and this is funded under the Regulation Reduction Incentive Fund, a federal government initiative, the RRIF. This fast-tracks low-risk applications.

Gold Coast City Council agrees with the submission made by Brisbane City Council, particularly on the issues of poorly made development applications and the ability of local governments to attract and retain planning staff. Gold Coast City Council offers temporary incentive payments, which we call 'TIP', for development assessment staff so that we can compete in the marketplace and reduce the turnover of planning staff. Council also has an application checklist to enable applicants to indicate whether the application is well made or properly made. This process enables quicker resolution for those applications that are of a well-made standard. Applications that are poorly made may not be processed at all.

It needs to be said that there is a significant concern amongst elected representatives of the community that Gold Coast City Council is seen to be undertaking tasks previously the responsibility of the state and Australian governments—cost shifting, in other words. Greater involvement of local government in the area of affordable housing and housing affordability needs to be within the parameters of local government expertise and responsibility and not result in the devolution of responsibility from the state or the Australian government.

What can be done to address housing affordability? As the federal Minister for Housing, Hon. Tanya Plibersek, has stated previously, there is not one silver bullet to reduce the cost of housing. There is the need for a collaborative effort by all parties, government and non-government. Gold Coast City Council welcomes the Australian government's initiatives under the banner 'making housing affordable again'. We particularly welcome the Housing Affordability Fund of \$500 million over five years for infrastructure linked to housing developments to reduce the cost of new homes. It is critical that the savings under this scheme are passed on to homeowners. However, this investment is quite small when compared to other investments the Australian government makes in housing, such as the First Home Owner Grant, the Commonwealth rent assistance and negative gearing.

I would also like to say that we should not forget the crisis in affordability in the private rental market. This is a substantial housing tenure and any recommendation from this committee needs to be made with this in mind. In conclusion, I would like to add that it is critical that any debate on affordability does not occur at the expense of other aspects in the affordability debate that make communities successful and sustainable. These include housing that is accessible and well located, the provision of social infrastructure and good quality public transport.

**CHAIR**—Thank you very much. I wish the committee could consider everything under the sun but we have a set of terms of reference which we are working within. Whilst I am mindful of the comments you made there towards the end of your remarks, the terms of reference do constrain us slightly. But it is fair to say that we have taken a great deal of evidence over the past few weeks across the very broad spectrum of questions of housing affordability ranging from caravan parks to mining sites and McMansions, so we are being as broad as we can in that process. I was listening carefully to your growth numbers and your projections, your discussion of income levels, employment issues, inadequacy of public transport and things like that. If you look at those growth numbers and think about the physical context in which we are sitting here today—where are you going to put everyone? I know resumption is not a stranger here, but where are you going to put everyone?

**Mr Rowe**—The city has a town plan, which covers the growth of the city and includes areas of both brownfield and greenfield development. I think you were in Brisbane yesterday and probably would have had a briefing on the regional planning framework that is in place here. There is a regional planning framework, the state government—

**CHAIR**—We would have if the state government had appeared.

**Mr Rowe**—Very quickly then there is a regional planning framework and there is a regional plan. It is a statutory regional plan. It provides an urban footprint for south-east Queensland and each local authority of which there are now 11 of us, I think, after the bloodbath—no sorry—amalgamations recently.

**CHAIR**—We knew what you meant!

**Mr Rowe**—Each of those local authorities are required to respond to the regional plan by the development of a local growth management strategy, which in effect is a plan for that area that is included within the urban growth boundary. We have an urban growth boundary, our scheme actually accords with that urban growth boundary, so there is a lot of concurrency between the two documents. In terms of where are we going to put them all, clearly people are not making any more land and one of the trends that we have seen here on the Gold Coast—and you only need to turn round to see physical demonstrations of the trend—is a move towards medium- to high-density living. I am sure you will have heard about the issues of land supply from the industry and I have some views about that issue. But in a city such as the Gold Coast it is the hard stuff that is left—the stuff that floods, that is on slopes, that has significant vegetation or is hard to access. So that land requires a great deal of thought and attention to bring it on to the market. Our longer term strategy is a shift ultimately away from greenfield and more into medium-density development. That is really just a symptom of how much land we have, where it is located and how we can actually afford to service it.

**CHAIR**—The infrastructure that is required to support that process is very expensive. Your remarks, Ms McCool, made an observation about the housing affordability fund which is half a billion dollars over five years, but that does not just go to infrastructure, as I understand it. It goes to development processes, to development costs and a range of other things. It is really not a huge amount of money if you look at it in the broad. How do you work with your state government to address these issues? You commented for example on the inadequacy of public transport—which is a state government responsibility as far as I am aware—how do you do that?

**Ms McCool**—I will let Warren answer the public transport question.

**Mr Rowe**—South-east Queensland in particular has a unique set of planning circumstances, if you like, in comparison with the rest of Australia. There is the statutory regional plan—that is not uncommon—but aligned to the statutory regional plan is a document called SEQIP, which is a regional infrastructure plan. It is a state government infrastructure plan that looks at the major infrastructure to be delivered by state government, principally transport, water, health et cetera. That is a substantial step forward for the state to identify where the very significant investments in things like transport are going to go to accord with the planning intent of the regional plan.

That has allowed us to align our planning with that document and the regional plan. For example, the city has 10-year infrastructure plans which are aligned to leverage off the spending of the state government. Transport is a particular one for us because we are not a transport provider. We provide roads and bridges, but we are not a transport provider. This city, recognising that transport is one of the key issues and a key risk for the future development of the city, introduced a city transport levy on its ratepayers about three years ago. The important part of that is that it was designed to generate a stream of revenue that this city would use for that part of the transport network that it does not normally spend its money on—so not the stuff that we are normally responsible for such as roads, bridges et cetera; our local road network. We have invested very

heavily in, for example, purchasing bus routes from the states. We have gone to the state and said, 'In this area we would like to see a bus route come in maybe four or five years earlier than the state might perhaps have provided it, to mould travel patterns.' So we will pay a million bucks for a bus route to service a community that is coming on line, and ultimately the state will take that over when the fare box revenue gets to a particular level. I think we have four or five major bus routes in the city which the city funds out of the transport levy, and we did things like pay to double the Sunday services. This is all designed to attempt to get a mode shift away from the private car. But transport is one of our big expenditure areas, along with water. I think, generally, this city is suffering from a long-term underinvestment, particularly in transport infrastructure, by all levels of government.

**Ms McCool**—With the social infrastructure, which I am particularly interested in, Warren has mentioned the 10-year plans—we have those for the various categories of infrastructure. They are funded by rates revenue, infrastructure charges and grants from state and federal government. I think both state and local levels of government have been caught on the back foot when it comes to the rapid growth in the northern growth corridor particularly, and that is an area where we have been working very closely with the state government in recent months to ensure that there is integrated planning so that we do meet the demand for social infrastructure in that northern growth corridor of the city.

By social infrastructure I am referring to the libraries, the community centres, the community meeting spaces, the swimming pools, the educational facilities and the health facilities. I think that we have a great commitment from the state government now to work collaboratively so that there is greater integration between state and local government facilities.

**Senator HUTCHINS**—Yours is a very interesting submission because, even though we have just heard it this morning, what emerged for me was that one of your concerns for key aspects of your workforce is that you cannot find accommodation for them. Forgive me if I am wrong but this would be regarded as a wealthy area, and your council is responding to the lack of growth—the lack of waiters, builders labourers and so on. Would that be a reasonable observation?

**Ms McCool**—There is certainly a perception that the Gold Coast is very affluent, but some of the stats I presented to you today about the median weekly income and the median rental payments suggest that there is another side to that. Some of our workers, mainly in the hospitality and construction industries—or the service industries generally, not just hospitality but child care, schoolteachers and police officers—would find it incredibly hard to rent accommodation let alone enter the property ownership market on the Gold Coast currently.

**Senator HUTCHINS**—A number of your plans appear to be catered towards trying to look after people in that income category. Would that be reasonable?

**Ms McCool**—We are working with the state, the federal government and also the Gold Coast Housing Company to try to make available to low-waged people in the city either rental accommodation or property that they can own.

**Mr Rowe**—There is a fascinating piece of work that Griffith University did a couple of years ago. It is called the VAMPIRE index, which is a wonderful, catchy title. I am not sure if you have heard of or seen it, but it maps principally for south-east Queensland—although the university has done some mapping for us—household exposure to expenditure on mortgages and fuel. It can show that the stress and pressure that household incomes are placed under by, for example, a 1c or 2c increase in fuel or a half a per cent increase in interest rates. There are very large parts of our city that are now under stress, but potentially more would be under a great deal of stress should interest rates rise further or fuel prices, heaven forbid, move up 5c or 10c a litre over the coming decade. It is a very interesting piece of work. It highlights why transport, for example, is a key issue for us to be able to move people from the communities where they live to the places where there is work. There is a significant land use opportunity to respond to some of those things too in terms of dispersal of employment and the appropriate use of densities and mixed use and development around transport nodes et cetera. It is a very interesting piece of work.

**Senator HUTCHINS**—In your strategy document 2004, you identified the crisis pending in affordable housing. What have been the results of that? Can you identify results of plans you implemented and can you say that there are 500 extra families in homes that you probably did not anticipate would have been there had you not done this?

**Ms McCool**—I do not think we can speak about specific units of stock that have been available to these people, or families—

**Senator HUTCHINS**—Ms McCool, you could take it on notice. If you would like to respond later that is fine with me. Is it fine with you, Chair?

**CHAIR**—Of course.

**Ms McCool**—What I can say, and I did mention it in the address I gave, is that the Gold Coast Housing Company has been established and is presently in its early days. Part of its brief is to increase the range of affordable housing, primarily in the rental market on the Gold Coast. We are also developing codes and policies associated with the planning scheme on affordable housing. I will mention a stat that has just been passed on to me. Warren spoke about the VAMPIRE index, which I think says in summary that people who pay more than 30 per cent of their net income in rent or mortgage repayments are under severe stress. In Gold Coast city, 63 per cent of stressed working households are earning less than \$600 per week compared with 23 to 35 per cent in Sydney. So if 63 per cent are earning less than \$600 a week, there is no way in the world that they could enter into the current market without being excessively stressed. They would have very little left for anything else.

**Senator HUTCHINS**—And I imagine you are still growing each week.

**Ms McCool**—Absolutely.

**Senator HUTCHINS**—Despite the stress.

**Ms McCool**—Exactly.

**Senator HUTCHINS**—Yesterday we had before the inquiry, I think they were from Griffith University, Professor Robert Stimson and Dr Alistair Robson.

**CHAIR**—They were from the University of Queensland.

**Senator HUTCHINS**—They made an observation about densification. I think Professor Stimson said—I am using my notes here—that the unit cost of housing goes up with densification.

**Mr Rowe**—The cost of construction?

**Senator HUTCHINS**—But he said the unit cost of housing, so in fact densification is not an answer to affordable housing. I understand you are in a concentrated area here, so we might look at inner-city Melbourne or Sydney or whatever else. What would your response be to that?

**Mr Rowe**—Professor Stimson is probably wrong and right, if I could be so schizophrenic as to say that. And I think that is a pretty generalised statement. There are various forms of density and there are various opportunities for density to maximise the value of land. I know that Bob—Professor Stimson—has for some time been putting this view. But we have some exceptionally well-designed and well-provided medium-density development. I do not mean some of this stuff you see out the back here, which is clearly not aimed at the lower end of the market, but some exceptionally good stuff designed by Queensland Housing, for example, which is produced at a reasonable cost and takes advantage of very scarce land in prime locations, close to transport and close to work opportunities. There is always a trade-off, because the raw cost of that land is always going to be more expensive in those areas that provide that level of service which areas of the suburbs do not currently provide. I would be happy to debate with Bob over a bottle of red wine.

**Senator HUTCHINS**—I am sure we would like to join you too, if that were possible! With the council in the city area, are there dedicated quarter-acre blocks, then medium-density housing and then what we have behind us? Is that what happens here?

**Mr Rowe**—The city has developed over the years on a traditional zoning basis, looking at separating both land uses and densities of residential development. More recently, though, we have looked to incorporate a range of densities in various locations. We have looked to provide opportunities for increasing densities in greenfield situations. We have looked to provide opportunities for mixed-use development in appropriate locations. Certainly the next iteration of the city plan will go further in that area, but probably largely what you see is a product of about 30 to 40 years of traditional zoning development. But, like other cities, we are moving away from that to incorporate opportunities for mix.

**Senator HUTCHINS**—This observation has come up a few times and I would be interested in the council's response. If you are not in a position to respond now, you may wish to take it on notice. In principle,

should infrastructure for new developments be paid for by homebuyers through developer contributions or by the community as a whole through general taxation? How do you do it here?

**Mr Rowe**—We have a priority infrastructure plan. As Ms McCool said earlier, we were the first local authority—and I think we are still the only local authority—to have a priority infrastructure plan in place. What the priority infrastructure plan does is looks at the infrastructure needs across four asset classes: roads; transport; public open space and community space; water, waste water and drainage and flooding. The methodology really looks at an area, defines the level of service that an area will need and then apportions the cost of that infrastructure provision to the new development. There are components of it applied across the city. The common mythology is that our priority infrastructure plan basically loads up new development. It does not actually do that. It actually underfunds. It actually underrecovers the cost of new development.

**Senator HUTCHINS**—Is that explained in the documents that we have before us?

**Mr Rowe**—No, it is not. But I can provide you with the—

**Senator HUTCHINS**—I think that would be of assistance to us.

**Mr Rowe**—As Ms McCool said, there is an amendment to our PIP currently before the QCA. It deals with water and waste water. Some of the early findings from the QCA are that we are underrecovering. Infrastructure can only be provided in two ways really: out of some general revenue stream or out of some specific targeted regime—or a combination of both. That is philosophically the position. My council has elected to ascribe parts of the cost of new development to that new development but also has funding ascribed to other parts of the transport network, for example, that comes out of the general rate base.

**Senator HUTCHINS**—So that is through the PIP?

**Mr Rowe**—Yes, through the priority infrastructure document. The PIP, heaven forbid, is not a document that I read at night, but for the sake of the record I am more than happy to provide you, for you to gain an understanding, with a copy of that document plus material on some of the work that has been done around the PIP. Clearly, the funding of infrastructure for local government is a key issue. Our revenue sources are pretty limited. We would love access to a growth tax or part of a growth tax! The cost of provision of infrastructure is a critical issue for a city such as this experiencing the growth that it is experiencing. When you lay over the top of that the fact that the cost of construction in the last three years has escalated exponentially, you see it costs a lot to provide basic infrastructure. What we are talking about here is just the water, just the waste water, just the local park, just the road that connects a subdivision and just the drainage aspects of that, so it is not gold plating infrastructure provision, as you may well have heard elsewhere.

**Senator COLBECK**—On the construction escalation rate, what has that roughly been over the last four or five years?

**Mr Rowe**—Maybe one of the people that you will be interviewing later on would probably have a better handle on that. It is of the quantum of 30 per cent more. I have just checked; it is about 40 per cent. It is interesting that when we produced the priority infrastructure plan document we suddenly learnt a lot more about our infrastructure; we had to. We found that what we were charging—this is up until we actually found out a lot about our infrastructure and the cost of provision—was a fair way under what it was actually costing to either put the infrastructure in the ground or connect it to residences. In that same period we have had the construction boom here in south-east Queensland. But I can provide that costing to you.

**Senator COLBECK**—We had some evidence on that in Brisbane yesterday. I wonder if there is any differential.

**Mr Rowe**—I do not have the percentage, but it is substantial particularly because of the activity, both public and private, that has occurred in this city in the last three to five years. The competition for concrete, the competition for steel and the competition for labour, both skilled and unskilled, is one of the things that keep me awake at night.

**Senator COLBECK**—Is that competition generating any supply issues? Is the supply of those materials running at a reasonable rate? Perhaps that is a question that I could ask later of the developers.

**Mr Rowe**—I would say as a generalisation that it probably has and, unfortunately, the infrastructure then gets delivered in another area of council. It would surprise me if there had not been an impact on the supply of some raw materials.

**Ms McCool**—We are certainly finding it very difficult to get both skilled and unskilled labour in the city to work on our construction projects.

**Senator COLBECK**—Yes, I understand perfectly the labour situation. I refer to the figures that you have given us in respect of median housing prices, wages and percentages in respect of those. Perhaps I will tackle it in a different way. We have been looking at housing affordability in respect of people in the lower 40 percentile of income earners, those spending more than 30 per cent. We have learnt over the course of this process about the most accurate way to have a look at that. The figures that you have given us in respect of median incomes and those percentages really do not give us a feel for it in the same context as what we have been getting from other areas of our inquiry. Do you have figures in that context so that we can actually make some comparisons? I am happy for you to take that on notice.

**Ms McCool**—We will have to take that on notice. We have the figures but I cannot give them to you just now.

**Senator COLBECK**—It really does provide us with a better benchmark if we have them all expressed in the same way. Here they are in medians. Take in particular the comment that you made in respect of people earning \$600 a week or in that sort of range. It really does put a completely different complexion on it when you consider that versus a median of \$1,017 a week.

**Ms McCool**—That is right.

**Senator COLBECK**—Do you have any sense of the amount of public housing provided in this community?

**Ms McCool**—We do, and we have the stats close by. It is three per cent of the entire stock of Queensland. Also our concern is that the provision of public housing on the Gold Coast is lower again than that of Brisbane and Queensland as a whole on a per capita basis.

**Senator COLBECK**—You do not have the exact figure?

**CHAIR**—If you do not have it, Ms McCool, it is perfectly fine for you to come back to us with it.

**Senator COLBECK**—And with some sense of whether that is increasing or decreasing. Perhaps that is also reflected by the fact that you have made an investment in the Gold Coast Housing Company.

**Ms McCool**—We do have the stats here. In terms of the number of social housing dwellings per 10,000 occupied private dwellings, on the Gold Coast we have 268 and for Queensland as a whole it is 431. As I mentioned before, there is a lower provision of social housing on the Gold Coast than in the rest of the state. We are working very closely with the state government and we have every reason to believe that the level of social housing will increase, but something like that cannot turn around dramatically, and of course it impacts on housing affordability too.

**Senator COLBECK**—Can you give us a little bit of information in respect of your involvement with the Gold Coast Housing Company? There is a \$3 million investment, obviously, but does that involve a partnership with the Gold Coast City Council or is it essentially an investment—

**Ms McCool**—The Gold Coast Housing Company is a not-for-profit company, and council was instrumental in establishing it. It was the amalgamation of two previous community housing companies. Those housing companies were very much responsible for the management of social housing across the city. We are not on the board of the Gold Coast Housing Company but we certainly work very closely with them in ensuring that in the main the \$3 million contribution made by council is targeted at affordable housing in the city.

**Senator COLBECK**—Mr Rowe, you have already discussed densification with Senator Hutchins, and we heard about it in the evidence yesterday, but we have also heard previously about the construction of higher density dwellings. I am really interested in your comments and getting some sense of the type of dwellings that are being constructed in what you consider to be a more affordable scale or type, given that the evidence that we have had so far has tended to indicate that, the higher the density—particularly when you get into certain types of construction and also working on brownfield sites—the higher the cost tends to be because of all of the things that you have to go through to provide that form of housing.

**Mr Rowe**—Yes, that is accurate because in brownfield situations the cost of the land in the first instance will be significantly higher for the project than it would be in a greenfield situation. In our greenfield areas—Coomera was mentioned earlier—we have looked to see whether we can encourage higher densities than traditionally, so, rather than eight dwellings per hectare, we have looked at 15 to 20 dwellings per hectare.

**Senator COLBECK**—So you are still basically constructing detached or semidetached dwellings?

**Ms McCool**—Semidetached, attached and some forms of unit development, three-storey type construction. That is really about maximising our opportunities to have an impact upon the other infrastructure services—the transport infrastructure, water, sewerage et cetera. Clearly in places like Surfers Paradise the unit cost is incredibly high just by virtue of the type of construction and also the land component. As you move away from the coastal strip and into other areas of the city where medium-density development is encouraged, clearly the unit costs come down. But that needs to be offset, again, against reductions in the time it takes people to get to work or to access school. It would be an interesting exercise to do whole-of-life type costing for medium-density developments. But we are looking to encourage a more efficient utilisation of our existing land stock, both greenfield and brownfield, by the use of appropriate density.

**CHAIR**—That effectively brings us to the end of this period. I thank you both very much for appearing this morning and for the submissions and information from Gold Coast City Council. There are a number of items you have taken on notice that you will hopefully be able to deliver to us in due course. We would be very grateful for that information.

[9.46 am]

**SPRAGG, Mr Robin, Social Planner, Tweed Shire Council**

**CHAIR**—Good morning. Thank you for the document which has been provided to the committee, which we received yesterday evening. I would ask you to make an opening statement and we will go to questions from the committee after that.

**Mr Spragg**—You will hear a similar story to the one you have just heard, I think, though perhaps on a smaller scale. Firstly, a little bit about Tweed shire. Tweed shire is a community of 85,000 people situated in the Tweed Valley of New South Wales and adjoining the border with Queensland. It has grown rapidly in recent years as a sea change location for retirees from Brisbane, Sydney and Melbourne. The following comments are offered concerning several of the terms of reference of the select committee.

The first part deals with the release of new land for housing and the growth of population. The rate of population growth in Tweed has been the highest in New South Wales, varying from four per cent in the 1990s to 2.2 per cent per annum in 2006. Most of the coastal areas have become urbanised in that time, but there are urban release areas available to accommodate a further 40,000 people. The growth pressures have been only along the coast, with inland areas having a static population. The spread of urban housing has raised concerns locally, and the previous policy of accommodating growth is beginning to change to one of more compact development and protection of the environmental areas that attracted people to the Tweed.

Originally a low-cost housing area, Tweed house prices and rents have escalated dramatically since 2000 to be almost on par with Sydney and the Gold Coast. I presented then some figures about the New South Wales Department of Housing sales reports for the September quarter of 2007 for all dwellings. This shows the Sydney house prices—which are presented as inner ring, middle ring and outer ring—and then the Tweed Heads and Tweed house prices. Tweed is very similar to the outer ring of Sydney and is not quite as high as the other two. The Richmond-Tweed balance, which is the rest of the Northern Rivers area of north-eastern New South Wales, is not that much lower in cost either.

No other rural areas in New South Wales have higher house prices than the Tweed. Figures provided by Australian Property Monitors show a comparison of house prices between the Gold Coast and some of the local suburbs. They show generally, without going into detail, that house prices in Tweed Heads, Kingscliff, Pottsville, Murwillumbah—the local centres—are very similar to those of some suburbs on the Gold Coast, such as Currumbin and Palm Beach, but not quite as high as those on Gold Coast Central, in Surfers Paradise and Byron Bay, which is another high-cost area in New South Wales. Generally, the Tweed area is up with the other high-cost areas.

Turning to weekly rent figures for northern New South Wales LGAs, in December 2007 the Tweed median rent for a three-bedroom dwelling was \$328 per week and, for a four-bedroom dwelling, \$400 per week. Slightly higher figures for rent apply to the Tweed Heads town centre and the Tweed Coast areas—that is, \$335 per week and \$420 per week. Similar figures have been recorded in Byron Bay and in Ballina shires. Another set of figures was provided by the Australian Property Monitors in its rental report for September 2007, ranking rents payable in capital cities. Housing rents in Darwin seem to be the highest, at \$410; then Sydney, Gold Coast and Canberra follow at \$400; and Tweed is a little behind the Gold Coast but not very far. Figures for multiunits showed that in Sydney rents reached \$380 per week; Canberra, \$370 per week; Gold Coast and Darwin, \$340 per week.

The effect of these rent rises locally is more serious in the Tweed than in other high-cost locations because Tweed average incomes are about one-third lower than they are in Australia as a whole. The median weekly household income in 2006 for the Tweed was \$683, compared to a median of \$1,027 for the rest of Australia. There are 17,606 people, aged 65 years and older, in the Tweed shire. One of the features of our shire is that the age of the population is much older than the average for the rest of Australia. Over 65s account for 22.2 per cent of our population, compared to the Australian average of 13.3 per cent. The Tweed is facing the effects of an ageing population decades before most of Australia.

The effect of high rents and house prices is more serious for renters than homeowners because renters do not have the compensation of receiving high prices on sale of their property. They simply have to manage with a lower standard of accommodation, if they can find any.

I now turn to the role of the Tweed shire in facilitating affordable homeownership. There are many symptoms of less affordable housing in the community. They include anecdotal evidence of forced relocations,



difficulties for key workers in obtaining accommodation close to their work and an increase in homelessness and insecure accommodation, especially for young people. It is difficult to confirm these things, but we do have a lot of evidence. Other symptoms to be expected include longer commuting distance and higher costs, a gradual lowering of our rate of immigration and increased gentrification of our towns. The council has very limited options to counteract these trends. The area was already suffering from a severe lack of crisis housing and from a lower than average stock of public housing. I think the Gold Coast council said that their level of public housing was around three per cent; ours is very similar, at about half the average of public housing for New South Wales. We also have a reputation in New South Wales as a destination for footloose immigrants, who have tended to congregate on the North Coast, which does not help the housing situation.

Another important factor is that the council's financial resources are already stretched to provide infrastructure for the incoming new residents, of which we get about 1,500 to 2,000 per year. In collaboration with other community service providers, council's youth development officer has recently focused on ways to address youth homelessness, and we have submitted a PowerPoint presentation which we developed on this topic. The best estimates we can make are that 170 young people are homeless every night in Tweed. The St Joseph's organisation provides a medium-term refuge for some 16 young people between the ages of 16 and 21. Murwillumbah Community Centre and the organisation known as Rosie's, a welfare organisation you may have heard of, provide food, showers and other occasional assistance to people who are homeless. Many young people are believed to be 'couch surfing', which we describe as living insecurely with friends and relatives rather than at home—so there is a population of young people who basically do not have a home. This increases the levels of personal risk to them. Of course, the increased burden of less affordable housing is a major contributory factor to the cause of homelessness.

Council is undertaking planning towards an affordable housing strategy. As the land-use development agency, council can influence the future development patterns through the local environment plan, or LEP—the statutory zoning provisions in New South Wales. Coincidentally, the New South Wales government is requiring councils to adopt new LEPs following a more consistent state template. While we are conforming with these changes, the council is trying to adjust the zone provisions to enable and encourage more affordable types of housing. Although this approach will rely on the private developer, we believe that any increase in the proportion of smaller units that we can encourage, or the increase in granny flats, the ability to subdivide larger houses, the protection of our existing caravan park population, which is quite large, and any incentives to increase the proportion of affordable dwellings in developments, will all be beneficial. But this is a work in progress.

More does need to be done to produce affordable housing or provide incentives, but at local authority level a great deal of determination and resources are required to develop effective programs and it can tend to be left in the too-hard basket. Councils have been traditionally reluctant to interfere in the housing market or to regulate in favour of particular types of housing, although town planners may say that they should be more proactive.

Finally, I would like to refer to the effect on the market of planning laws. New South Wales has a system of developer contributions for services known as section 94, from the Environmental Planning and Assessment Act. Section 94 provides contributions for a wide range of infrastructure for the needs of new rather than existing residents. The state government is now proposing to limit the requirement of contributions more strictly in order to reduce the cost of providing housing. The exact effect of this move has not yet been quantified, but local government is fearful that it will be unable to maintain the present level of services and facilities. It has been the practice in Tweed to prepare section 94 contribution plans for everything from roads to community centres, providing a coherent system of urban infrastructure planning.

If this system is limited too severely, new urban areas will be developed without physical and social infrastructure at the critical early stages and the existing infrastructure will come under greater demand pressure. Local government has few alternative sources to fund infrastructure other than rates, which are capped, and there is no other source that is as reliable as section 94 contributions.

It has been our experience that social infrastructure such as community centres have been well-received by new communities and they are an important means of strengthening the communities and reducing social alienation and isolation. A balance needs to be maintained to ensure contributions increase development costs only moderately. For instance, the largest single community centre project in the Tweed funded by contributions has cost \$1.8 million. That provided for a suburb with more than 12,000 people.

An example of typical section 94 contributions required for an average housing area for 2002 and 2007 is given in the table. In 2002 the land price of this estate was \$95,000 and in 2007 it was \$216,000—more than twice as much. The section 94 contributions in 2002 were \$7,000 and in 2007 they were \$14,000. Section 64 contributions, which provide for sewage and water, were similar figures—\$6,800 and \$14,800. The total contributions in 2002 were \$13,800 and in 2007 were \$29,600. That means that the total contributions were about one-seventh of the selling price of the land. The price of land has more than doubled in the five-year period and the total contributions have also doubled. In a strong housing market there is no likelihood that development may be jeopardised unless the rising price level deters buyers.

In conclusion, while local government can provide local support services and local facilities to mitigate some of the worst effects of unaffordable housing, the scale of development required to provide affordable housing and the level of corrective action required can only be addressed by federal and state government actions in the broader housing market. Thank you.

**Senator HUTCHINS**—I think I saw the Tweed council administrator on television last night. Would that be right?

**Mr Spragg**—Yes, that is right. We did appear in the feature about David Broyd.

**Senator HUTCHINS**—There has always been a bit of an issue about development up in the Tweed.

**Mr Spragg**—Yes. We do not actually have a council at the moment. We are under administration.

**Senator HUTCHINS**—I have just a few questions. I asked the Gold Coast council this as well and I will frame it the same way. Should infrastructure for new development be paid for by homebuyers through the development contributions or by the community as a whole through general taxation? Does the administrator have a view?

**Mr Spragg**—The first option is section 94, which is what New South Wales has been using since about 1980 to pay for—

**Senator HUTCHINS**—Highlighting how they have gone up there and all their contributions—

**Mr Spragg**—Yes.

**Senator HUTCHINS**—Is council satisfied with that means of funding services?

**Mr Spragg**—It does seem to work for councils. It provides an organised system in which we can plan. With section 94, we have to prepare a plan for each release area that is dealt with. We have to work out the costs of infrastructure and what we are going to provide beforehand, then cost it all, set the levy rate and provide the funding.

**Senator HUTCHINS**—These are all new developments, aren't they?

**Mr Spragg**—Yes. For an area that is expanding with new development, it is convenient at least for councils to have a system where they can work it out, plan for it and provide it. It does usually—

**Senator HUTCHINS**—But the new occupant pays for it.

**Mr Spragg**—Yes, through the developer.

**Senator HUTCHINS**—I think you were here for the evidence of the Gold Coast council.

**Mr Spragg**—Yes.

**Senator HUTCHINS**—They have a slightly different view.

**Mr Spragg**—Yes. We have not experienced the other options, so it is hard to say.

**Senator HUTCHINS**—One particular thing we heard about in Sydney was Hornsby council applying a library rate of \$1,400 to new construction because it was new property.

**Mr Spragg**—We have a section 94 plan for library provision that is included in it. We have been operating under that special contribution system and we do not have experience of other ways of doing it. I think it is at least a coordinated way of doing it.

**Senator HUTCHINS**—One of the other things that the committee has been presented with almost throughout the country, and it was mentioned by the Gold Coast council as well, is a shortage of skilled planners. Has that been an issue with the Tweed?

**Mr Spragg**—Yes, we have had difficulties in maintaining our planning staff. Usually they leave and go to the Gold Coast!

**Senator HUTCHINS**—Even though they cannot find anywhere to live here!

**Mr Spragg**—It is a problem, but I do not know if it is critical to the development process. It is just that the development process tends, in my view anyway, to be very complex and detailed and so on, and that is why development approvals tend to be slow sometimes, rather than just through the lack of staff. I would say it is another burden, but it is not the main problem.

**Senator HUTCHINS**—Fair enough.

**Senator TROOD**—In relation to the social housing that the Tweed council provides, you said you had a very low proportion of the statewide figure, as I understood your remarks.

**Mr Spragg**—In public housing, yes.

**Senator TROOD**—Why is that? Is it because the allocation works on the basis of the state government's perceptions of need or is it on the basis of the requests that you might make from time to time for conditional housing? How does that work in your case?

**Mr Spragg**—I think it is a historical legacy because we were very much a rural area until the 1970s and there would not have been a great demand for public housing in the area then. The population has ballooned since then, and during that period public housing has not really been expanding or meeting the full needs; I would say it has been in decline. Therefore we have never caught up with the needs that have grown as our population has ballooned.

**Senator TROOD**—So your needs are primarily in relation to youth housing—is that right?

**Mr Spragg**—That is the area where we have most concern because the young people are more vulnerable and they have fewer resources and less experience as to how to cope and so on. So we have given that more attention.

**Senator TROOD**—How are you going now in trying to improve the attention you are receiving from the state government?

**Mr Spragg**—We are still hoping for some assistance, but we are getting a handle on what is happening and we are trying to improve at least the welfare services that support homeless people. But, as for providing accommodation, it is not something that the council is really able to do a lot about because of the scale of investment that would be required.

**Senator TROOD**—I am just trying to get a sense of your relationship with the state government. I realise you are under administration, but what capacity do you have to influence policy and planning which might deliver to the Tweed, for example, a higher level of public housing?

**Mr Spragg**—We do not have a great deal of influence. With affordable housing—

**Senator TROOD**—I suppose the question is: is the Tweed—

**Mr Spragg**—I think we only get the share that we normally would. It may be partly because we are 900 kilometres from Sydney. We find in other areas that we do not have good face-to-face contact with the agencies in Sydney and as a result we sometimes miss out. There is no recognition that we have a problem up here. They tend to think that all the problems occur in Sydney and the rural areas are fine. For instance, some of the provisions that would allow councils to require a proportion of affordable housing from developers only apply in the metropolitan areas of New South Wales. We do not have access to those sorts of provisions, so we cannot impose, say, a five per cent affordable housing component on a development, because the regulations do not apply to us.

**Senator TROOD**—Would it help if the council had that kind of capacity?

**Mr Spragg**—Yes, we could certainly make some inroads into the need. Some of the councils in the Sydney metropolitan area are doing that. I think they are having a hard time getting through the legal jungles and so on as far as requiring it from developers, but at least they can try and do it—we have not even got there yet.

**Senator TROOD**—I would like to look at the point you make on page 3 of your submission, where you refer to the local authority needing a great deal of determination and resources to develop effective programs, and say—in paragraph 4—that sometimes it is in the too-hard basket. I am interested in the kinds of constraints that councils are suffering. Are you alluding to an absence of favourable planning laws? Are you merely alluding to the fact that almost invariably the budgets of local authorities are stretched? Is it a political problem you are referring to? Or is it all of those?

**Mr Spragg**—Yes.

**Senator TROOD**—What particularly are the sources of these difficulties for you?

**Mr Spragg**—It was mainly the management of affordable housing that I was referring to. From research we have done into what some of the councils in Sydney have been doing by way of trying to provide it and working with community housing organisations, even when they can get some funds to provide affordable housing for special purposes there is then the problem of how you manage it and how you keep it affordable. If it is privately owned housing, there may have been arrangements for leases or agreements to be made to maintain affordable housing for 10 years, and then it lapses. All of that requires a lot of legal work and a lot of management expertise and work. I think you really need to run a complete, full-time affordable housing unit to be able to make progress in that area under those sorts of circumstances.

**Senator TROOD**—So there is not a readily available instrument that you can use to manage this issue from the council's perspective—is that right?

**Mr Spragg**—Yes. My feeling after researching what they were doing in Sydney was that it was really a big ask, especially for the average council, to actually do all of that and manage to keep it under control and to run a program like that.

**Senator TROOD**—On the reference you make to the possible changes to the section 94 contributions, what do you understand the source of that pressure for change to be?

**Mr Spragg**—Anecdotally, I understand it is to do with developer pressure on the state government, because of the extreme, escalating situation in Sydney. It is happening down there. It is the sort of pressure that the New South Wales government feels.

**Senator TROOD**—So it is happening down there but it is likely to have a detrimental effect on your position?

**Mr Spragg**—So it will affect the whole position for the state and it affects everybody. At first we thought that was going to be disastrous because the way they put it was only in vague terms. We did not get the full story at first, but we thought we were going to lose hundreds of millions worth of support and the ability to provide for infrastructure and services. But it now seems, after protestations from local government organisations, that they have modified it a bit and clarified it a bit and it may not affect us too much, but we are still going to be cut back a little bit. As long as we make strictly sure that the services and infrastructure we provide are directly related to new development, then it will probably be all right.

**Senator TROOD**—It sounds as if it is a bit like a wing and a prayer thing. Can you feel absolutely confident about this?

**Mr Spragg**—It is still being worked out. It has not definitely happened yet.

**Senator TROOD**—How long do you anticipate it will be before there will be a decision on this matter?

**Mr Spragg**—It has been on the go for less than six months. I would think it would be sorted out within a few months, as we hope.

**Senator COLBECK**—I might take up where you left off, Senator Trood. Mr Spragg, we heard in Sydney that section 94 and these infrastructure levies grew out of the fact that there was rate pegging or rate capping in New South Wales, so there was pressure to provide infrastructure and the money had to come from somewhere so councils came up with a process by which they could get the funds. It appears to me at the moment that you are caught in a bit of a pincer movement: you have rate pegging on one side and potential restrictions on your section 94 costs, so something has to give somewhere if the infrastructure is to be provided.

**Mr Spragg**—Yes, that is right. We have argued that, because of our high growth rates, our rates should increase by more than the peg. We have had several years of increased rates allowed, but you can only really go so far with that. Basically, our rates are not going to get any better so we will rely on the section 94 system.

**Senator COLBECK**—Either on that or on some other significant source of income from state or Commonwealth governments to provide assistance with infrastructure development.

**Mr Spragg**—Yes, we could use most of those 600 affordable houses that the Commonwealth government is proposing at the moment.

**Senator COLBECK**—You mentioned in your submission existing types of housing with a caveat that it all depended on developers and on increasing the proportion of small units, granny flats, subdivision of large houses and protection of existing caravan parks. We had some evidence in Brisbane yesterday that caravan

parks were the housing form of choice for some people. While I am not sure that it is necessarily a desirable form of housing in the longer term, it was noted as a housing form of choice. Can you give us some indication of what sort of pressure there is on that sort of infrastructure?

**Mr Spragg**—Yes. We have about 4,000 people living permanently in caravans. You might say it is a form of choice. In some cases it is and in other cases it may be not by choice, but they are permanent residents. It can be a nice lifestyle in some circumstances. Caravan parks have been under pressure. There have been threats that some caravan parks should be developed for other purposes, because they are usually in nice waterside locations. There is legislation to protect them in New South Wales. So far we have managed to maintain and protect existing caravan parks. But I doubt whether there will be any more of them. They are a relic from a bygone era, and there is not the space to provide much more of them.

**Senator COLBECK**—What proportion of the municipality is 4,000 people?

**Mr Spragg**—It is out of 85,000.

**Senator COLBECK**—Five per cent.

**Mr Spragg**—Yes.

**Senator HUTCHINS**—How many caravan parks does that represent and does the council maintain any of them?

**Mr Spragg**—I think there are about nine caravan parks. I do not know the acreage, but there are around 4,000 residents.

**Senator HUTCHINS**—Does the council own or maintain any of them?

**Mr Spragg**—Yes. Most of the council parks are meant for holiday purposes—they are holiday parks—but they do have some permanent residents. The nine I was talking about are private ones that are mostly occupied by permanent residents.

**Senator HUTCHINS**—They might have to get permission from council to rezone and if they did not want to, they would have to go through the land and environment court or the planning commission or whatever it is called.

**Mr Spragg**—Yes, we are very careful to protect them because if one or two of them suddenly disappeared there would be a lot more homeless people in our shire all of a sudden. Generally, these people do not even have the resources to move.

**CHAIR**—At the end of your submission you indicate that, in your view, the scale of development and the level of corrective action required can only be addressed by federal and state government actions in the broader housing market. Can you give us some specific suggestions as to what you might have in mind there?

**Senator HUTCHINS**—If you are not ready at the moment, you could take it on notice and send it to us.

**Mr Spragg**—Yes, we could come up with some suggestions. I have not really thought that far ahead.

**CHAIR**—You put it out there.

**Mr Spragg**—Basically, large scale funding is needed that would provide for an intervention in the housing market. The private housing market is very much targeted at the upper end of the market and there are no incentives to build affordable housing. So we need some way to provide incentives. The council has not been interventionist in the past but if it wanted to it could favour the less expensive types of development. We would like the government to do that for us!

**CHAIR**—If you want to add to that then please be our guest. You make some observations in your submission and have said in your remarks that the Tweed was originally a low-cost housing area, which is certainly the New South Wales history for the Tweed. Now you have the highest house prices in rural New South Wales, I think you said, but you still have average incomes about one-third lower than they are in Australia as a whole. What is happening to the older original residents of the Tweed? You are a social planner—how is this change affecting those sorts of residents?

**Mr Spragg**—We hear stories of some who do well by selling their old house. If they are the owners of a house that is in a good location, they probably do reasonably well because they can cash it in. But then they would have to move somewhere else and spend their gains to buy another place somewhere not too far away. Then they would not make any real long-term gain from selling. They tend to get forced to move to less central and accessible locations. If they are workers then they would have longer commuting distances forced

on them by having to live further out. There is a general tendency for people to move to the upper parts of the Tweed Valley, which is rural, and find a cottage there or move to inland centres such as Lismore or Kyogle.

But that does not of course apply to people who are renting. If they are renting and they cannot afford the rent then they just have to rent somewhere else. They have a limited amount of resources and the rents have all gone up, so they have to take a lower standard of housing. That is what leads to couch surfing for young people, who probably find it an acceptable option to stay with friends and just hang about without actually having an address. It means they can preserve their income a little. There must be many people who are suffering hard, considering their income levels—for a very large proportion of people, it is around \$400 or \$500 a week—and if you have to pay rent out of that or a mortgage I would say you would be on the breadline.

**CHAIR**—Indeed. We were talking, as you saw, with the Gold Coast City Council before. Do you have a handle on what proportion of your population commutes to the Gold Coast for work?

**Mr Spragg**—From memory, I think about 5,000 workers cross the border to work on the Gold Coast and I think a couple of thousand come the other way.

**CHAIR**—Come to the south?

**Mr Spragg**—Yes.

**CHAIR**—Any further questions? Thank you, Mr Spragg. If you do want to provide any further information to that question on notice, we would be very happy to receive it.

**Proceedings suspended from 10.26 am to 10.43 am**

**DUTTON, Mr Col, Branch President, Urban Development Institute of Australia (Queensland) Gold Coast Branch**

**PISTOL, Mrs Donna, Executive Committee Member, Urban Development Institute of Australia (Queensland) Gold Coast Branch**

**RANSOM, Mr David, Executive Committee Member, Urban Development Institute of Australia (Queensland) Gold Coast Branch**

**CHAIR**—I welcome our next witnesses. Thank you very much for attending this morning and for assisting the committee. I invite you to make an opening statement and then we will go to questions.

**Mr Dutton**—First of all, we did make a submission at our UDIA national branch and our state branch levels. We did not want to bore you with another document stating similar issues. Today we thought we would put you in the Gold Coast context and outline what our issues are and how we interact at the local and state government levels.

The scale of the issue on the Gold Coast and the volume of housing on the Gold Coast really bring it to the fore for us. It is the No. 1 issue for us as a branch. At the moment, the population of the Gold Coast local government area—and I think this was stated earlier—increases by around 18,000 people every year. From our research about a third of that is natural increase, a third is probably from interstate and a third is international migrants coming to the Gold Coast.

Affordability is a tough issue. We know that it has multi-levels in terms of trying to get a solution to it. It has been acknowledged through a number of reports that the Gold Coast has affordability issues. The UDIA itself last year published a report on the various levels of housing stress around Australia and identified the Gold Coast up with Sydney. There was an international Demographia report done in January—I do not have it with me—that identified the Gold Coast as being ranked 11th out of 227 countries and I think it rated equally with Sydney.

On the local level, we have commissioned the local Bond University to look at both rental and housing stress and what pockets of the city are affected by both housing and rental stress. They relate that in regard to the percentage of household income. We do not have a published report yet, but all the indications are that it reflects all the other reports that have been published on the level of concern on the Gold Coast.

Given that we have a state body and a national body, our branch probably quarantines itself to the level we can chew on, if you like, in regard to what we can change and try to influence. We appreciate the ability to influence at a higher level, if you like, today. So we are looking forward to getting into the higher level issues as well. Our branch has around 220 individual and corporate members. They are into all forms of development, as you would imagine, on the Gold Coast, from tourism to high-end high-rise, infill, greenfield, public housing and investor products. There are a whole range of developments that our members undertake on the Gold Coast.

The three major issues—and I know there is a consistent theme—that we as a branch have been trying to address as an organisation on the Gold Coast are land supply, infrastructure charges and development application processing. You heard earlier from the Gold Coast City Council that there is a structure for the way south-east Queensland rolls out its land supply. That was really formalised back in 2005 when they brought in the South East Queensland Regional Plan. As part of that they identified how much south-east Queensland needed to grow by—and I think it was about a million people at the time. The Gold Coast was basically assigned just less than half of that to deal with that population. As part of that process, there is a local growth management strategy, which you heard about yesterday and this morning, to identify where that should go. We as an organisation make submissions to that process to make sure they are heading in the right direction and they are on track.

Certainly there is a real focus at the state level on making sure that those numbers are right. I think there is more of a focus on economic growth and making sure that the capacity is there. At the local level we have made a number of submissions saying that we do not think we have quite got it right as to the impact of the numbers that are required on the land that we have available. So the number that is being put forward for what the city can grow to we believe is understated by a fair amount. So there is a bit of toing and froing on how that is measured and how the methodology goes about. We have made submissions on core areas of the city, such as Coomera, which was mentioned this morning. We are questioning how much that area can sustain in

regard to the density and the number of people moving into that area. We are not seeing eye to eye there, but it is a good debate.

The second part is infrastructure charges. Infrastructure charges have been the most marked change for our industry and for housing on the Gold Coast in the last five years. It would have increased 400 to 500 per cent in the last four years. Something that would attract around \$7,000 in infrastructure charges four years ago would attract somewhere in the mid \$30,000 today. So it is a substantial hit, if you like, at the front end of the development process. It is obviously a substantial hit for the end user who has to pay money at the front end of the process.

You also heard this morning that the Gold Coast went along the section 94 path—like Western Sydney a few years ago. The Gold Coast is the first in Queensland to properly introduce their PIP charges. To me the impact of those PIP charges is just flowing through now. They have only been adopted in the last couple of years and there is obviously still some lag time with approvals, and those PIP charges are flowing through now. So we do not believe the true impact of infrastructure charges has taken place yet, but they are certainly showing signs, both at the residential level and at the investment level with regard to businesses on the Gold Coast and how much they get hit for the up-front infrastructure works.

Our third point is one where we have a lot of debate at both state and local levels. It relates to the speed of getting a block of land to the market once you have identified and bought it. There is certainly an intent at the state level to make sure that that process is as quick and cost-effective as possible, but there has been a whole lot of complexity through the different corridor applications and with council talking to state government, and with the whole development application process getting more complex the further you go down the chain. At this point in time there are a number of discussions going on with state government about how we simplify that. We know that looking at development and getting the right outcomes for development is important, but it just becomes very complex and sometimes unending.

Finally, we know that it is not all about the national, state and local governments trying to find a solution. We know that the industry has a responsibility for finding a solution. Senator Colbeck was talking yesterday about product and putting your land into the market to try to get an affordable price point. It is something that the industry is very aware of. We are not saying it is all somebody else's fault; we really need to find an affordable price point is well. Some developers have not yet cottoned on to that, but certainly regarding the way forward we have to identify what the market wants. The Gold Coast has been a four-bedroom, two-bathroom type of market, in the main—the mums and dads with kids and everything else. That is the established market and, with the growth into the future for the Gold Coast, the people buying new homes have expected that as well. They want that same product. How the market changes with regard to getting to an affordable price point is the real challenge for the industry and obviously a challenge overall. We are not backing away from that; it is a challenge for us.

In summary, certainly the three government issues for us are land supply, infrastructure charges and delays in processing DAs and getting them to the table. But there is a product question to answer as well.

**CHAIR**—Mrs Pistol and Mr Ransom, did you want to add anything?

**Mr Ransom**—No, not at this point, thank you.

**Mrs Pistol**—In relation to infrastructure charges, as part of the infrastructure committee of the UDIA, I will just mention the concern that the current approach to load up-front charges onto new development has traditionally, since the Productivity Commission inquiry report in March 2004, been considered as not impacting on house prices and affordability. It appears that, with recent developments in relation to the introduction of PIP and other increases in infrastructure charges that Col has mentioned, that may no longer be the case. Perhaps it is time to revisit those conclusions from the Productivity Commission report.

There is also the concern that the method of charging infrastructure to up-front development provides intergenerational inequities because the older established homes perhaps have the benefit of different types of infrastructure charging based on lower cost government loans compared with the present situation, where younger people, who tend to be the people who are buying the new homes in outer areas, have the increased burdens that their parents and previous generations did not have to bear, and perhaps there will be social consequences because of that with housing stress.

**CHAIR**—Thank you very much. We will go to questions. Senator Hutchins.



**Senator HUTCHINS**—You might want to elaborate on a quote we have from you, Mr Dutton. You were recently quoted in the media as being concerned about an antidevelopment strategy by some politicians and that developers would take a breather before committing to new projects. Would you like to elaborate on that?

**Mr Dutton**—The quote was around the right theme, but it was not quite my words.

**Senator HUTCHINS**—You have a chance to correct it now.

**Mr Dutton**—I think it was just before the local government elections as very much part of the mayoral campaign regarding discussions about a population cap. There were—and still are—discussions about freezing rates. It was a little bit antidevelopment in regard to looking at the future. I found it to be fairly populist and short-term thinking rather than looking at the issues facing the city, particularly housing affordability. That was just prior to the election a couple of weeks ago.

**Senator HUTCHINS**—Fair enough. I have two other questions. We have had it put to us on and off that, to paraphrase Professor Troy from the ANU, the heavy weight of migration is affecting housing affordability. You mentioned that a third of the migrants to this region are from overseas. Does the association have a view about overseas migration?

**Mr Dutton**—Not that I am aware of. To me, there seems to be no negative view at all. With the skills shortage, we are seeing at the moment a lot of different overseas migrants—South African, New Zealander, and English—coming into the country and into our local community. I think they are a good mix socially and obviously a great need economically.

**Senator HUTCHINS**—We had some Queenslanders saying yesterday that there should essentially be no-one else allowed to move into Queensland. I am not asking you to comment on that.

**Mr Dutton**—I do not agree with that.

**CHAIR**—To give Mr Dutton some context, it was the Gold Coast and Hinterland Environment Council and the Wildlife Preservation Society.

**Mr Dutton**—Yes. I saw them on the agenda yesterday. Obviously, they have their view—

**Senator HUTCHINS**—I am not sure that anybody would agree with them.

**Mr Dutton**—Honestly, they are very involved with the local issues, particularly on the Gold Coast. They are based just around the corner from where I live. They are quite aware of the issues for the city and I know they are trying to spread further afield on the issues for the state.

**Senator HUTCHINS**—You said that the ‘four-bedroom, two-bathroom’ was an established product around here.

**Mr Dutton**—Yes.

**Senator HUTCHINS**—We have had evidence given to us about this throughout the country. They say in Western Australia that they cannot sell four-bedroom, two-bathroom products anymore, that they are going down, and that we should be looking at different methods of housing to allow people to get into them. A suggestion in one submission we have had is to divide up a current house and have one out the front and one out the back. You seem to be going against that. Is that just a trend here, in your opinion?

**Mr Dutton**—No. From the Gold Coast’s history, for people buying in the market, nine out of 10 people buy in the established market. What they are comparing when they are looking at new house products is what they are used to seeing around their streets. The trend in the past has been for a four-bedroom, two-bathroom product. When they walk into a new house and land community, they are looking for a similar product. When they start to establish what price point they want to play with is when they start to investigate going to something smaller or different. I am sure there is a similar trend around other parts of Australia.

Warren Rowe from the Gold Coast City Council said this morning that the future is infill. That is a point in time and we recognise that it has a place, but at this point in time certainly the market has not adopted that. Warren went through the affordability issue in regard to infill—the price of land and the price of construction. Those are definitely a hindrance to infill development. In the meantime, you have the detached product in the Western suburbs if you like. How we get a better product and a product closer to all the facilities is the challenge for us.

**Senator HUTCHINS**—We have heard in submissions throughout the country about the lack of planners in council areas. They propose that a number of duties that were once the province of university educated

planners should be able to be put to people who are not, say, university educated. Would you like to comment on what your views may be?

**Mr Ransom**—I agree there is a shortage of professional labour in every facet of the development industry not just town planners but everyone who contributes to the process of approving development. I am talking about architects, engineers and the like—there is just a shortage across the board. We recognise that the labour shortage hits local government a little bit harder than it does private industry because private industry has the ability to respond to market conditions in a more fluid way than local government does. We essentially have the ability to pay people more. But, ultimately, that is something that needs to be redressed by local government, state government and indeed federal government as well. Public servants need to be paid according to market conditions or otherwise those people will exit into the private sector.

**Senator HUTCHINS**—I was thinking more of the attitude that some of the duties that were previously done, maybe by architects or engineers—specifically we have heard evidence about town planners in the planning area—can be allocated to others who are not necessarily professionally trained or educated.

**Mr Ransom**—I think that is a function of the tight labour supply within local government. It is not just within local government but also within private enterprise—we have to do that as well. If there is a shortage of professional labour, you have to look at what sorts of fringe activities can be done by non-professional staff to maintain your productivity. Local government here is certainly investigating things like that. It is something we are all going to have to embrace unless we can find additional professional staff, which is very hard at the moment.

**Mr Dutton**—The process has become more complex. At the state level they are readdressing the IPA Act at the moment in regard to how it could be simplified. It has become more uncertain the more experts have put into it. The planners have become assessment managers shuffling different people's inputs, so they are looking at the way that it all comes together at the moment. It is acknowledged that it is a fairly tedious process with a number of heads to it.

**Senator HUTCHINS**—In some parts of Australia if you wanted to get a development application approved, even simply to put an extension on your house, you could put away 12 months before the council gets around to it. Are there any particular difficulties in Queensland that you have come across? Is it as complex as that or is it the intention of the Queensland government to expedite development and planning approvals?

**Mr Dutton**—At the housing level, at the building level it has become a lot simpler in the last five years. I think the complexity for us as an industry is more through the larger application process.

**Mr Ransom**—I agree. We do not have a situation such as Britain, for example, where if you want to put an observatory on the back of your house, you have to go through a tedious six-month process. That sort of thing is fairly streamlined. In my opinion, there are significant delays in getting through the system the larger applications that actually introduce large amounts of residential supply onto the market.

**Senator COLBECK**—I want to follow on from Senator Hutchins about the average time from the purchase of a parcel of land to getting housing to market. What would be the average time frame that you would be looking at?

**Mr Dutton**—A large parcel would be around two years. We would allow 18 months planning time. You would add to that if you had structural planning or a state government requirement in regard to a particularly new front. If it is zoned right, it has to get through council, get its development application approved, get built and put on the market. It would take probably two years.

**Senator COLBECK**—So that would support your suggestion that the infrastructure charges are just starting to flow through to the market.

**Mr Dutton**—Definitely. Basically, at any one point in time there would be a number of parcels that have been approved prior to new increases. New increases have come in over the last 12 months, which will be impacting some of those sites as well, because of stage approvals and everything else, into the future. The actual infrastructure being placed on the end lot, when you are ready to sell the plan, has only been happening in the last six months.

**Senator COLBECK**—So the additional cost of the new blocks is based on the infrastructure costs. Obviously that puts a premium on those blocks of land. Is that flowing back to the established blocks or are they still selling? Do they have a market advantage over the new properties that are coming on line?

**Mr Dutton**—To me the established market is the driver. As I said before, nine in 10 people will buy in the established market. You normally add a bit of a premium to the end price point that you think it is going to sell at in the new market—people are buying a new house and land, a new start and everything else. But I think the established market is what drives the price point that you are trying to achieve. Unless you are going to create a new product that is not comparable to the local market, you really have to look at the local market first to see where the price point is going to be. So the value of that new product, if you like, is governed by the immediate five or 10 kilometres in general.

**Senator COLBECK**—I am thinking of it in a slightly different context from the way that you operate here. It is a product of where I come from—

**CHAIR**—Which is Tasmania, I might say.

**Senator COLBECK**—where you might actually go and buy your own block of land. You would look at the market for individual lots first and make your comparisons. In that context, I was trying to get a sense of the differential in the physical land prices and how that flows back into the overall house and land package price.

**Mr Dutton**—The first thing, as a developer, is to put your place in the buyer's eye, and they are very much conditioned to the established market in regard to a price point. So for anything you are offering to the market you want to look at whether it is comparable or not, what the price point is compared to the nine or 10 other things that they can go and buy. Does that make sense?

**Senator COLBECK**—Yes, it does. To break it down a bit further, how do you actually market something in a new development? Effectively someone is going in there and buying a house and land package. How is that marketed? Is it marketed as a bulk sum for the house and land package, or is it that someone walks in the door of a site office or a development office and says, 'I'm interested in having a look at this. What is the land that is available and what are the block prices?' and then makes a determination as to what they actually put on it physically, and then the package is calculated on that basis?

**Mr Dutton**—There are a number of combinations and a number of people are involved in the selling. Large developers with large properties normally have a sales facility and the people are either walking into the land sales facility or walking into a display village that offers the total product. They can say, 'Yes, I want that, in that particular location in that community because it has schools, shops and whatever else.' There is straight advertising out of the papers, there are people going to display villages and there are people walking into sales offices. In the end, they are all making their judgement on the product, the price they want to pay and where they want to pay it. They will make a judgement on whether they want to drive an extra 20 minutes to work at Surfers Paradise or look at something in the established market that is more attractive to them. So there are a number of things at play, but really it is the product, the price point and the location of the community that their decision is based on. Normally people within a five-kilometre radius, other than the migrants, are the ones that buy within that community. They know the area, their kids go to the local school and they know the facilities. So you are normally marketing to the immediate location.

**Senator COLBECK**—I am still trying to work out how the land price actually builds into the overall thing. You are telling me that it is driven by the price of the surrounding area, so the local real estate market, rather than the new property market. You are almost arguing the Productivity Commission's perspective that it is not the price and imposition of charges that actually drive it. I do not agree with the Productivity Commission's view. That is why I am asking questions. I am trying to get to the base levels of how people make their judgements as to which block of land they might buy in a development, what the process they go through is and what the drivers are. If you are telling me that the local real estate market is the driver, then what the Productivity Commission was saying in 2004 would appear to be more likely right. Are there other factors as a part of that? I am trying to get at what those factors are.

**Mr Dutton**—Before I was talking about when you buy into a new area. You weigh up what the development cost, you weigh up the cost of buying land, you weigh up what the infrastructure charges are, and you can work out whether it is affordable to place a new product in the particular area. You know what your competition is in regard to the established market. All the costs added up give you an idea whether that particular development is going to work in that particular area. It is a large component of the development cost of providing new product to the market. The less new product you have—if it is not affordable to provide that product at the right price point— then the established market will push up, and the cycle goes on. It really impacts on the cost of providing a new product.

**Senator COLBECK**—I can understand that it would do that, but that would be the determinant as to whether the new product went ahead. If the infrastructure charge puts the cost of the new product above where the market is, that is going to be a limiting factor on the market going ahead.

**Mr Dutton**—That is right. You can say, ‘Right, the price point is going to be higher,’ but people will not buy it. That will shut down the new development and the pressure will go back onto the established product.

**Senator COLBECK**—We heard this morning Gold Coast City Council talking about the availability of land and how tight the market for greenfield land available for development was. How many years of supply of land do you see for this particular region?

**Mr Dutton**—What was brought up was that the local growth management strategy has a 20-year time frame. I suppose that a developer, depending on their business needs, would be looking at both short term and medium term. The 20-year time frame that the state government and the council have for the local growth management strategy is an appropriate way of doing things. The things that we argue about are the accuracy of it and the measure of the take-up of it, whether or not a larger take-up forces pressure on the market. We think the backbone of the process is right; it is just that a lot of the facts that are going into it are not lively enough to keep up with the growth that we can see.

**Senator COLBECK**—I want to go back and have another discussion about density types. You mentioned my interest yesterday in the different market offerings. What is your perspective? I think it is understood that obviously brownfield sites are more expensive to develop. This is all in the context of providing affordable housing—rather than market based housing—which is what we are really here to talk about. How do you think it might be possible to reduce the unit cost to actually provide a more affordable product?

**Mr Dutton**—If you have free rein at whatever level of government and whatever input there is to the issue, to me the actual cost of getting it on the ground is the issue. As for building it, there is nothing you can do with regard to building it. The charges that go on top in respect of an affordable product create an issue. Say they are 30-odd thousand dollars and you try to provide a block of land for \$120,000, so as to have an affordable product, then they are a substantial part of it.

At a higher level, the GST has come up a few times so there is another 10 per cent in the product. A number of charges make up the raw amount. If there are ways of taking that away from the front end and maybe giving it back to the end user on the way through, we need to look at that. I am not an economist but, with regard to modelling of the finances up-front versus finding a way through—whether it be by rates or whatever mechanism is available—I certainly think it needs to be further investigated.

**Senator COLBECK**—We were talking yesterday in Brisbane about the escalation rates, and I think they were in the vicinity of 10 per cent per annum. Would it be a similar benchmark in this instance?

**Mr Dutton**—Yes, from my experience, the Gold Coast went to probably 20 per cent about three years ago. It has probably averaged around five per cent in the last couple of years, and that is regionally. One thing that affects that is obviously the large infrastructure spending that is currently forecast. I think the state government are spending \$7 billion or \$8 billion in a financial year. That has flow-on effects in regard to the subdivision being created in the suburbs because of resources jumping across to the higher paying project and everything else. They are aware of the balancing act in regard to that. But certainly in regard to labour supply and the cost, you have to keep a close eye on it.

**Senator COLBECK**—So, effectively, in respect of developing affordable housing, the only way you can reduce your construction costs of the housing itself is to go to what I would call a really lightweight form of construction—almost a caravan, demountable type of construction. But, if you are talking about established type of housing that is essentially seen as desirable by the market, the only way to resolve that is to build smaller or put less in the house?

**Mr Dutton**—Yes.

**Senator COLBECK**—The land cost will be controlled by supply issues and, I suppose, the general market. Then there are the other costs imposed at various levels of government that come on top of that. They are the variables in respect of affordable type housing that might be able to be managed, other than some sort of support for the provision, in particular, of rental type properties, by one level of government or another?

**Mr Dutton**—I agree with everything you have said, but supply is the main driver, as far as I am concerned in regard to have choice to build in a particular area. When I talked before about infrastructure costs, it was

basically from a civil infrastructure perspective. Housing costs, I believe, have been around 10 per cent. So that is a component in addition to the infrastructure costs, if you like.

**Mr Ransom**—The other significant variable is the holding costs that the developer has to incur whilst they are waiting for planning approval to be delivered. That can be substantial when you are talking about brownfield sites. If you have to acquire sufficient land and amalgamate titles and pay premium dollars to all those landholders then your interest bill is very significant. That is why the DA time frame is a very critical part of the process, but it is also a variable. If we can shorten that down, we reduce the interest payments and therefore presumably you can assist with affordability.

**Senator COLBECK**—And with respect to removing the variability out of the time frame, if you know what the time frames are it is much easier to—

**Mr Dutton**—That certainly is a killer.

**Senator TROOD**—I want to ask you about the balance between state and local governments in relation to planning powers et cetera. Does the institute have a view as to whether the balance has been struck correctly? You were talking about the different time frames involved. Do you take a view as to whether or not certain responsibilities, certain heads of planning power are in the wrong place or the right place? Do you have a view as to whether they could be improved in some way?

**Mr Ransom**—I think that, compared to other states in Australia, the Queensland planning system is fairly decentralised. New South Wales by comparison is what I would call a fairly centralised system where the state government does play a very large role in the development assessment process. The Queensland system is relatively streamlined, in my opinion. In recent years, more Queensland government regulation has come in—particularly through documents such as the South East Queensland Regional Plan, which all have good intentions. On the whole, I think there is certainly room for improvement, but the balance we have in Queensland is not too bad compared to New South Wales, as an example. I think it is probably at the other end of the scale.

**Senator TROOD**—What about other jurisdictions?

**Mr Ransom**—I have not practised in any other states. I know the Queensland and New South Wales jurisdictions, and they are pretty much chalk and cheese with respect to the involvement of the state governments in the development assessment process. For example, some of the large buildings you can see out the window here were developed with virtually no state government involvement. There is a very localised planning system that can enable quite large developments to proceed, whereas in New South Wales I do not think that would be the case. That would have to go to the Department of Planning, or whatever it is now titled, and that would involve a Sydney based decision rather than a local decision. I think that is the fundamental difference from the Gold Coast context.

**Senator TROOD**—There is clearly a difference between the two. From your perspective, is the Queensland system a preferable one? Is the ideal to try and repose more of this power in the hands of the local government rather than to hold it at state level?

**Mr Ransom**—I think there is a need for the states to be involved in the decision-making process, but I think that the Queensland system—I will not say that it is perfect, because it is not; I have not really seen a perfect system and I do not know if one exists—is far more streamlined than those elsewhere. I still believe there are certain referrals to some Queensland government departments that are unnecessary in the scheme of things.

One issue that we have not touched on today is that, during the assessment time frame for a development application, often there are a lot of things that need to be brought forward and assessed at the development approval stage which could be deferred to a later stage and become something that you have to do before you get building approval. The consequence of that is that a lot of people have to do a lot of work upfront before they have any confidence that they are actually going to get a development approval. It slows the process down and I believe there is an opportunity for that system to be streamlined. If there is no risk associated with a particular environmental issue, for example, then I do not see why we cannot be conditioning more of those requirements to be fulfilled later on in the development process, once the developer has the certainty of knowing that his development can proceed. That would streamline the process also.

**Senator TROOD**—You are making a case about speed, but are you also making the case that if it were speedier then it would possibly be cheaper? Are you saying that it would affect the price and that these weaknesses are affecting price?

**Mr Ransom**—Absolutely. You may find it funny for a town planning consultant to be saying this, but I think a lot of the development industry is burdened with unnecessary costs associated with consultant fees and having to do excessive amounts of reporting at a stage of the DA process where it is not really necessary. That is an additional cost imposition on the developer which is ultimately passed on to the consumer as well. If we can reduce that time frame and make a valid assessment of and separate the things that matter versus the things that do not, deal with the things that matter at the development application stage, defer the things that do not matter and condition their fulfilment later on in the process, I think we can get a cheaper, quicker but still equal quality development assessment system.

**Senator TROOD**—At some stage in the process, though, those things have to be done, so they become a cost.

**Mr Ransom**—They do.

**Senator TROOD**—Are you saying that if they were done later they would be a lesser cost or are you talking about the shifting of the cost from somebody to someone else?

**Mr Ransom**—I guess the later they occur in the development process the lower the interest payments or holding costs that the developer has to incur. The developer's holding costs are not just associated with the land; it is all the costs of the development approval process, which can be significant. For larger development applications it is not uncommon to be spending several hundred thousand to half a million dollars in reports, assessments, surveys or whatever they might be. If they are necessary then they have to be done at the beginning of the process, but if they are not necessary they can be deferred and the developer saves the interest payments in the intervening period. It might not be a large slice of the overall saving, but nonetheless I think we are talking about an issue here for which there is no one quick fix. There are a large number of small things that can be done to improve the situation.

**Senator TROOD**—So even here in paradise this is a problem, as distinct from New South Wales?

**Mr Ransom**—Yes.

**CHAIR**—He is a Queensland senator!

**Mr Ransom**—I agree. I do not think it is as bad here as it is in New South Wales, but certainly in the local context the developers are asked to undertake studies that cost significant amounts of money, do not necessarily add too much to the process and could easily be conditioned later in the process, achieving the same result but quicker and more cost-effective.

**Senator TROOD**—Mr Dutton, you spoke to my colleague Senator Colbeck about the flow-through infrastructure costs—or the costs that had yet to flow through infrastructure; I was not quite clear. The implication of your remarks seemed to be that that was going to involve a percentage increase in costs of stock coming onto the market.

**Mr Dutton**—Yes.

**Senator TROOD**—What sort of percentage are we talking about here?

**Mr Dutton**—As I said originally, over the last four years they have honestly gone up 400 or 500 per cent. So the cost per lot has gone from \$7,000 to the mid-\$30,000s. The PIP charges that you heard about this morning have been brought in progressively. They impact at a point in time—depending on how large your development is, they will impact as you develop. It directly goes into the cost of developing that block of land. There has been an incremental increase over four or five years to a point where it is a large percentage of the overall cost of developing that block of land.

**Senator TROOD**—Obviously these infrastructure charges are an issue for everybody in the system. The question is: is there a better system of dealing with them? At some point someone has to pay for them—governments or developers or homeowners. Does the institute have a view as to how this could be better handled?

**Mr Dutton**—I know it was mentioned yesterday and today that the Queensland Competition Authority is reviewing the existing PIP charges, but that is more a mechanical check to make sure that they are charging the right dollars.

**Senator TROOD**—I am talking about a structural question about whether or not there is a better way to distribute the responsibility for these costs.

**Mr Dutton**—Obviously if the local authority is not getting them from the developer and the purchaser, they have to come from somewhere. To me, that could be done at local government, state government or national government level—or it could be a financial modelling exercise to see if in that particular area maybe we receive the charges back through our rating process or wherever so that the impact is not so much up-front. I am not aware that that modelling has been done. To me, we need to have disciplined thought about it, look at the facts first and see what actual impact that has. There was talk this morning that it is going to happen particularly in the Gold Coast area, but I am not aware of that modelling being done in our south-east Queensland and Gold Coast context.

**Senator TROOD**—So the institute has not done any of that kind of modelling or turned its mind to how best—

**Mr Dutton**—No. We said we would get involved and provide all our smarts, if you like, with regard to costs and everything else and maybe we can get somewhere. But I certainly think the philosophy has changed to, ‘Let’s charge it and get it; we’ve got money coming in the door and we don’t have to worry about ourselves.’ We do not think that is the right philosophy and we do not think it is very equitable for the new communities that are being created.

**CHAIR**—Mr Dutton, Mrs Pistol and Mr Ransom, thank you very much for appearing before the committee today and for giving us your local feedback, which is invaluable to our hearing process. We are very grateful. That draws our hearing to a close. The committee will resume in Ballina this afternoon.

**Committee adjourned at 11.30 am**