Appendix A: Affordable Housing Initiatives

A.1 Overview

The Victorian Government is looking to achieve long-term sustainability and growth in social housing provision through diversification of housing choice, strategic partnerships with non-government affordable housing providers, and the attraction of private sector investment into affordable housing. This is consistent with the principles of the 2003-2008 CSHA.

Strategic private investment in affordable housing will require confidence on the part of institutional lenders that the borrower (a non-government affordable housing provider) has a viable asset base against which to secure borrowings and that financial risk is managed within an appropriate regulatory framework.

A.2 Victorian Government initiatives

Labor's Financial Statement (LFS 1)

In the 2000-01 State budget, the Victorian Government committed $94.5 million over three years in State-only funds to Director of Housing (DoH)-owned capital projects and joint venture projects with local government and non-government organisations, to provide diverse and innovative housing solutions for low income Victorians. This investment is on track to deliver in excess of 800 units of affordable housing stock through implementation of the Social Housing Innovations Project (SHIP).

The Government's investment leveraged equity totalling $30 million (representing over 31 per cent of total project costs) from joint venture partners, including land, cash and some private sector borrowings. This will result in the delivery of approximately 200 additional affordable housing units through SHIP than could have been achieved with Government funds alone.

SHIP demonstrated that there is capacity to complement Government funds with equity partnerships to deliver higher unit output per dollar of government funding. However, SHIP has principally focused on small-to-medium scale developments. It is proposed that future Government investment in affordable housing partnerships will be geared towards larger more strategic projects, particularly where there are opportunities to link with VicUrban developments and the strategic planning priorities of *Melbourne 2030*.

Labor's Financial Statement (LFS 2)

In the 2003-04 State Budget, the Victorian Government committed a further $70 million over four years to affordable housing provision. It is proposed to target these funds toward:

- establishment of non-government affordable housing providers, including Affordable Housing Associations (AHAs);

- stimulation of greater local government participation in planning and development of affordable housing provision;

- specific projects that facilitate growth in affordable housing through consolidation of existing community-based housing or equity in the form of private sector investment; and

- enhancement of the regulatory and legislative framework for social housing provision.

Priority sites for affordable housing will also be identified with consideration being given to inner-city sites linked with public housing redevelopment, Government labour market initiatives, and to the development of activity centres linked to transport services.

Melbourne 2030

Melbourne 2030 is a strategic plan to manage growth across metropolitan Melbourne and the surrounding region over the next 30 years. The plan acknowledges the growing shortage in affordable housing and proposes various strategies to improve outcomes in the housing market, including: greater engagement with local government to improve planning controls and influence housing development; and more effective monitoring and management of land supply and dwelling production to meet housing needs.

Consistent with the directions in *Melbourne 2030* and priority directions in *Growing Victoria Together*, which specifies Government's economic, social and environmental objectives, the Office of Housing is developing a number of affordable housing initiatives as detailed below.

Victorian Housing Strategy

The next stage of the Victorian Housing Strategy builds on initiatives undertaken by the Victorian Government, since October 1999, to maintain the public housing asset base and pursue modest affordable housing growth.

The Strategy proposes policy innovations to attract private investment into affordable housing. It will do this through partnerships to influence or offset market outcomes; regulation of non-government housing providers; and better alignment of housing policy with whole of government outcomes.

The Strategy involves the development of complementary growth providers, including Affordable Housing Associations (AHAs), and align housing policy objectives with wider Government policy relating to metropolitan planning, community safety, employment initiatives, and sound financial management.

The Strategy includes the use of redevelopment opportunities to improve social mix and the improve the supply of a wide range of affordable housing.

Kensington Public Housing Estate

The redevelopment of the Kensington public housing estate is a public/private partnership between the Office of Housing and the Becton Group. In this project, Government's land contribution comprises the sale of some parts of the site to Becton for building private housing for commercial release. The actual amount of land to be sold is determined on a staged basis as plans are developed.

The Kensington estate originally comprised 694 public dwellings. The resulting development will be an overall public/private mix of an anticipated 421 private units and 436 public units. The partnership agreement provides for consideration of some additional affordable housing as a component of the private housing. Other public units have been purchased off-site for the relocation of tenants.

A company management model has been developed to consolidate the maintenance of the communal spaces on the redeveloped estate. This will provide tenancy management across public and private tenancies, undertake community development activities and body corporate management.

Dandenong Saleyards

The Dandenong Saleyards development is a joint venture between VicUrban, the Victorian Government's development agency and the City of Greater Dandenong. It is expected to provide 1400 new dwellings at a cost of $250 million, inclusive of infrastructure costs and associated facilities. VicUrban is required 'to contribute to improvements in housing affordability in Victoria', while carrying out its functions on a commercial basis.

The Dandenong Saleyards development is within a Transit City area. Transit Cities are identified in Policy 6.1 of *Melbourne 2030* as sites for affordable housing opportunities.

The Dandenong Development Board is being established to facilitate development and urban renewal in the Transit City. The Board will include in its objectives the facilitation of affordable housing. The Government will be represented on the Board and OoH will consider opportunities for affordable rental accommodation in the overall site.

Richmond Precinct

The Richmond Precinct is an existing public housing estate adjacent to a designated Major Activity Centre (Victoria Street) in *Melbourne 2030*. The Richmond Precinct provides a significant opportunity to develop an integrated approach to the provision of affordable housing. A feasibility study has been recently undertaken by VicUrban to assess broad viability.

The overall objective of the Redevelopment is to develop a housing and community infrastructure that reflects the Government's priorities to expand the supply of affordable housing and improve the social, economic and environmental well-being of communities.

Docklands Waterfront City

VicUrban is undertaking a similar feasibility study to investigate a range of ownership and rental options principally targeted to key workers, such as teachers and hospitality personnel, at the Waterfront residential/commercial development project at Docklands. Options for the inclusion of affordable housing will be investigated within the study.

Carlton Housing Estate

The Carlton Housing Strategy to redevelop the existing Carlton public housing estate reflects the Government's priorities to expand the supply of affordable housing and improve the social, economic and environmental well-being of communities. A draft concept plan has been prepared, outlining options and recommendations for the development of housing in the proximity of the Melbourne CBD and Major Activities Centres, such as Lygon Street, of which a component will be affordable housing.

The concept plan proposes the development of an anticipated 1549 units on the Lygon/Rathdowne Streets public housing estate, comprising a mix of public housing and private dwellings. It includes a commitment to maintaining the current number of public housing units (784 units) on either this or the nearby Queen Elizabeth Centre site. The development proposal for the former Queen Elizabeth Centre site suggests a range in the vicinity of around 220 accommodation units. The proposed yield would provide an additional 985 units (approx) across both sites.

The City of Melbourne is a key stakeholder in the urban renewal development and has supported, in principle, the proposals as briefly outlined above.

A.3 National Affordable Housing Project

The Commonwealth State Housing Ministers Council is promoting a national, strategic, integrated and long-term vision for affordable housing in Australia, through a comprehensive approach by all levels of government. This commitment is also a guiding principle of the 2003-2008 CSHA.

The National Affordable Housing Project (NAHP) was established to achieve this aim. Victoria is a leading contributor to the NAHP, which is considering a range of policy levers applicable across portfolios and jurisdictions. This is in keeping with Ministers' intentions that the NAHP be a "without prejudice" investigation into what policy levers and/or combinations of policy levers might best increase the supply of affordable housing.

In pursuit of this objective, the NAHP has proposed four key priorities for coordinated action on affordable housing:

- increase the supply of affordable housing;
- increase access to housing that's affordable;
- enhance delivery arrangements for social and affordable housing; and
- review market efficiency and effectiveness.

The goal of the four key priorities is to increase opportunities for low and moderate-income Australian households to access affordable and appropriate housing in diverse, cohesive and sustainable communities. The NAHP will model scenarios in nominated case study areas, across jurisdictions to demonstrate how adjusting a combination of policy levers could facilitate the development of more affordable housing in these areas.

The Commonwealth has indicated that it will be unable to contribute to the NAHP while the Productivity Commission Inquiry into First Home Ownership is progressing.

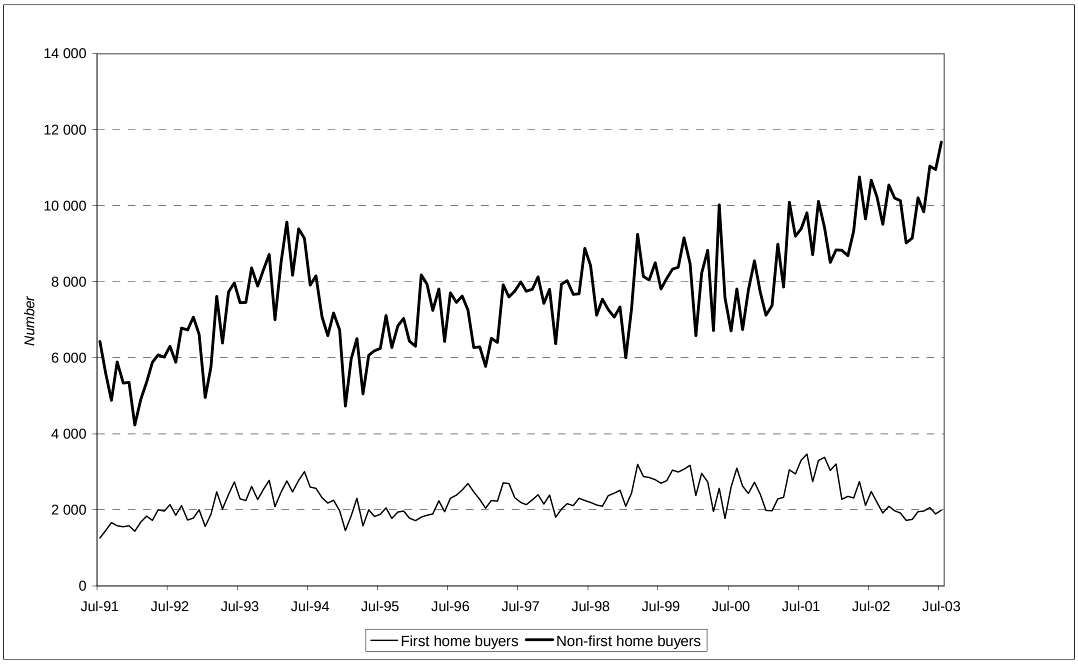
Appendix C: First Home Owner Activity in Victoria

C.1 Overview

The number of housing loans for non-first home buyers has shown a steady increase over the last eight years (Chart C.1). This is partly a result of population growth, but may also be be influenced by several other factors, including increasing re-financing activity and people making more frequent trade-ups, rather than remaining in their current home for a long period of time. By comparison, first home buyer activity has remained at broadly stable levels over the last eight years.

However, since the peaks reached in 2001, there has been a considerable decline in the number of loans to first home buyers. Between August 2001 and July 2003, the number of housing finance commitments to first home buyers in Victoria fell 42 per cent. The number of loans, however, are still above historical lows.

Chart C.1: Housing finance commitments for owner-occupation



Source: Australian Bureau of Statistics

First home buyer activity is affected by a number of factors including the price of houses, the level of mortgage interest rates and deposit requirements, all of which affect housing affordability. While the decline may be due partly to changing affordability, it is also a reflection of the “bring-forward” in activity following the introduction and removal of the Commonwealth Additional Grant (CAG). According to BIS Shrapnel[1] the First Home Owners Grant (and CAG) resulted in first home buyer activity being 35 per cent above normal levels.

[1] BIS Shrapnel, *Residential Property Prospects, 2003 to 2006*, p33

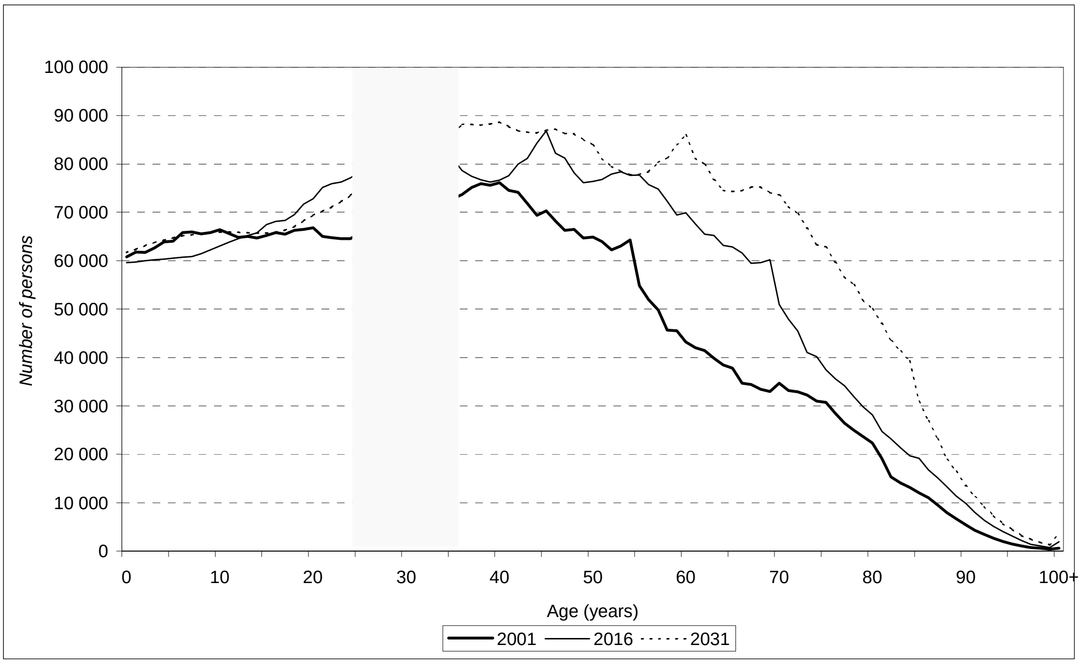
Another factor driving the number of first home buyers is demographics. In 1997-98 the ABS estimated that the average (median) age of first home buyers in Australia was 31.5 years. This was up from 30.2 years in 1988. The majority of first home buyers (55.6 per cent) were in the age range of 25 to 34 years, with a further 22.9 per cent aged 35 to 44 and 10.7 per cent aged 15 to 24 years[2].

Since the early 1990s, the number of persons in the 25-34 age bracket has been essentially constant. This is consistent with the broadly stable levels of first home buyers over the last eight years indicated in Chart C.1.

Looking forward, Department of Sustainability and Environment population projections (see Chart C.2) indicate that while the number of people in the 25 to 34 years age category will continue to increase in the future, the proportion of people in this age group will decline, compared to the whole population.

While the absolute number of first home buyers is likely to increase in the future, first home buyers will make up a declining share of the overall housing market.

Chart C.2: Age profile 2001-2031, Victoria

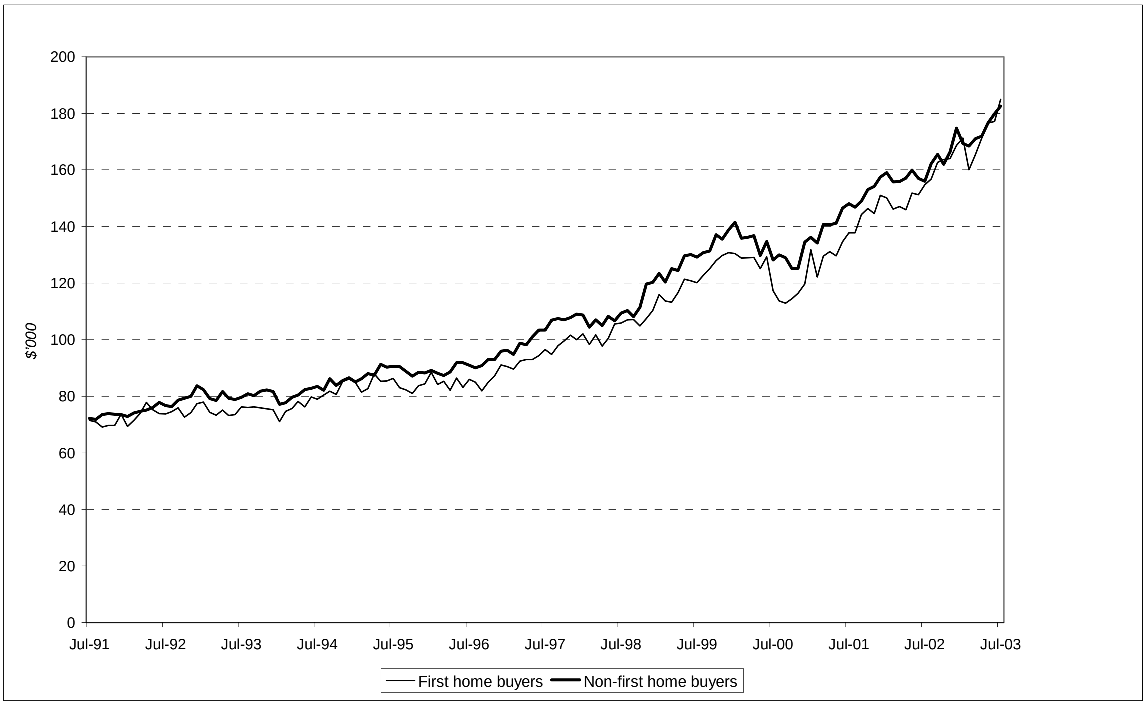


Source: DSE Interim Population Projections

The average loan size committed to by first home buyers does not differ greatly from that of non-first home buyers (Chart C.3). Both have increased at a similar rate over the last three years. However, non-first home buyers are more likely to borrow a lower proportion of the property price, as they may have greater access to equity and/or savings. Thus the average loan size for these borrowers does not necessarily reflect the cost of the dwelling purchased.

[2] ABS Year Book 2002: Special Article – First Home Buyers.

Chart C.3: Average loan size for owner-occupier dwellings



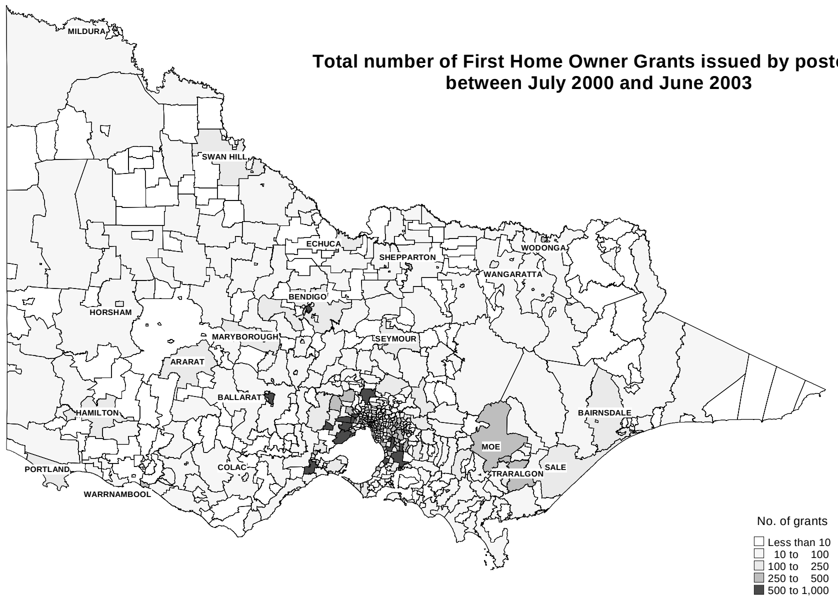
Source: Australian Bureau of Statistics

C.2 First home owner activity: distribution data

First Home Owner Grant (FHOG) data can be used to provide details on the location and cost of the dwellings purchased by first home buyers.

Based on FHOG data, first home owners are located in the fringe suburbs of Melbourne and in key regional centres such as Geelong, Ballarat, Bendigo and the Latrobe Valley (Chart C.4).

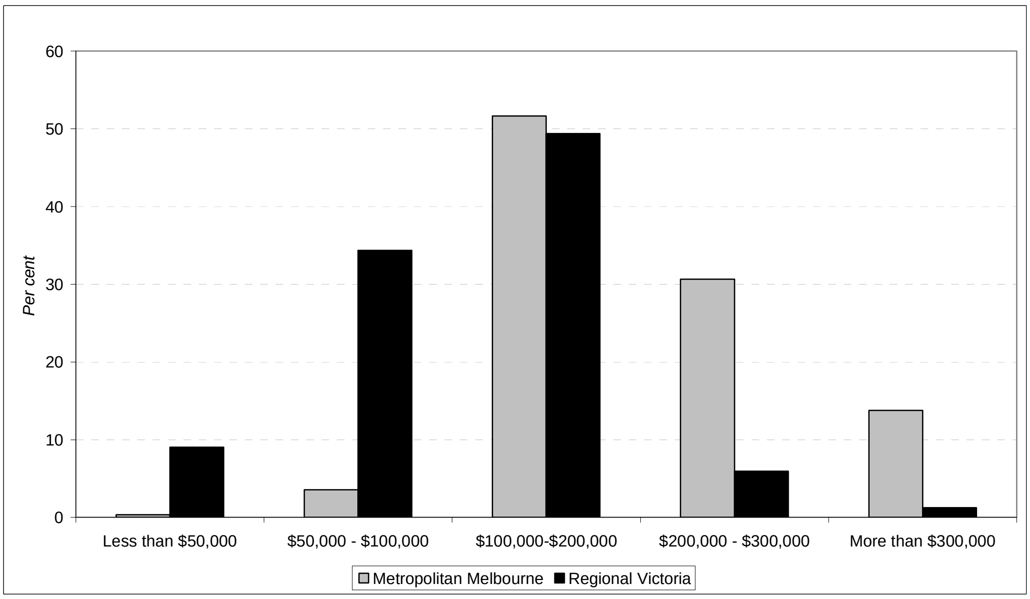
Chart C.4: First Home Owner Grants by postcode



Source: State Revenue Office, Victoria

For the period July 2000 to June 2003, 50 per cent of properties purchased with a FHOG were priced between $100 000 and $200 000, with a further 25 per cent priced between $200 000 and $300 000. However, as can be expected, the price spent on properties in metropolitan Melbourne was generally higher than in regional Victoria, as shown in Chart C.5.

Chart C.5: Price distribution of dwellings purchased with a FHOG – July 2000 to June 2003

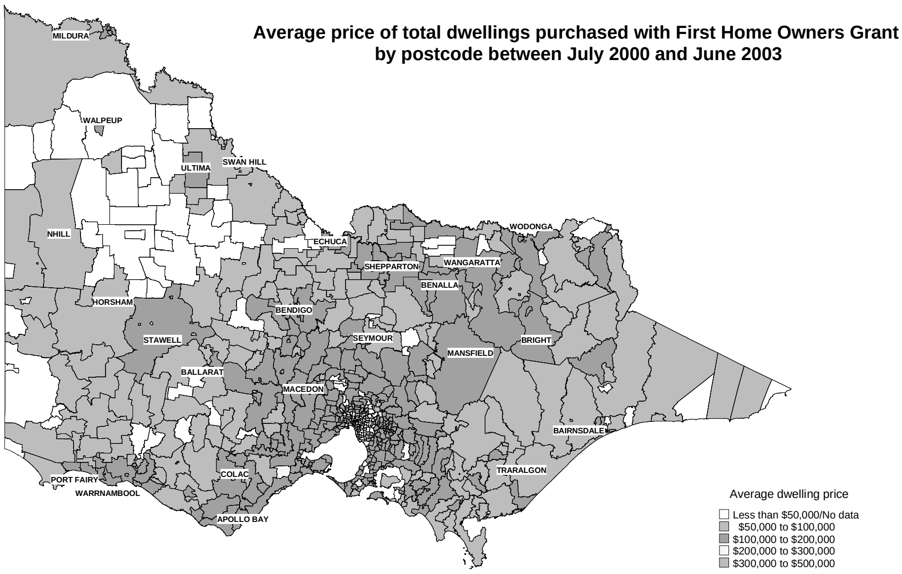


Source: State Revenue Office

While the majority of properties purchased utilising the FHOG were under $300 000, a number of relatively expensive properties were purchased utilising the grant. For example, between July 2000 and June 2003, over 1 300 dwellings valued at over $500 000 have been purchased with the assistance of a FHOG, including over 70 valued at $1 million or more. This suggests that the FHOG scheme could be better targeted to those in real need of assistance.

The average amount paid for dwellings purchased with a FHOG decreased with distance from central Melbourne (Chart C.6). FHOG recipients in the fringe suburbs of metropolitan Melbourne and the surrounding peri-urban areas paid an average of between $100 000 and $200 000, as shown in Chart C.7.

Chart C.6: First Home Owner Grants – average price of dwellings



Source: State Revenue Office, Victoria

The least expensive properties purchased with a FHOG were concentrated in Corio, Belmont, the Latrobe Valley and the north, west and south-east growth areas of metropolitan Melbourne.

Chart C.7: First Home Owner Grants – average price of dwellings in metropolitan Melbourne and surrounds

Average price of total dwellings purchased with First Home Owners Grant by postcode between July 2000 and June 2003

Source: State Revenue Office, Victoria

Appendix D: *Melbourne 2030* – Urban Development Program

D.1 Introduction

The Urban Development Program is a key initiative of *Melbourne 2030*. It is a rolling 15-year program that has been implemented this year to ensure that adequate stocks of serviceable residential and industrial land are maintained across Melbourne and Geelong. It will operate on an annual cycle of data collection, consultation and reporting to review rates of development, assess land supply, and (where necessary) trigger action to address potential zoning or infrastructure constraints. In future, the UDP process will be a primary basis for assessing the need to make changes to the Urban Growth Boundary in growth corridors.

A key element of the UDP is an annual series of Development Forums, attended by developers, councils and infrastructure agencies. These forums lead to a common understanding on the current status of land supply, levels of development activity and developers' future intentions. The first round of forums has recently been completed. This comprised six sub-regional residential forums covering Melbourne and Geelong and one region-wide industrial land forum.

After each round of annual forums, a report will be produced for distribution to the development industry, councils, public utilities and other stakeholders. It will present factual information on development trends and intentions and on the supply and take up of land (a land supply 'balance sheet'). A second report will be prepared for Government and will both summarise key trends and highlight actions required to address potential land supply or servicing constraints.

D.2 Sources of supply: broadhectare land

Areas of undeveloped land (including agricultural land) of more than one hectare are included in estimates of broadhectare land stocks. For metropolitan Melbourne, broadhectare land consists of:

- land within the interim Urban Growth Boundary, which is currently zoned for residential purposes;
- land within the interim Urban Growth Boundary, which is likely to be rezoned for residential purposes; and
- land outside the Urban Growth Boundary, which is currently zoned for residential purposes.

The amount of broadhectare land required to supply the dwellings needed for new households is determined by lot density; the greater the density, the less land that is required. Included in the aspirational objectives of *Melbourne 2030* is an increase in lot density to 15 lots per hectare over the period to 2030. (Current density of new fringe development is around 10 lots per hectare, but increasing – on some estates, up to 12 lots per hectare.)

Future adjustments to the Urban Growth Boundary will be determined by the Minister for Planning in the light of periodic assessments of the adequacy of broadhectare land stocks. Changes to the UGB are subject to parliamentary ratification and will be implemented as changes in the planning schemes of the relevant municipality. Initially, advice to the Government about changes to the Urban Growth Boundary will be provided by the Smart Growth Committees, which are being established to review planning and infrastructure needs in each of the five designated growth areas (discussed in Section 3 of the main Submission).

The broadhectare land development process is outlined in Figure D.1.

Boardhectare land supply situation in metropolitan Melbourne and the Geelong region

The broadhectare residential land availability and lot yield for metropolitan Melbourne and the Geelong Region are shown in Tables D.1 and D.2, respectively. For metropolitan Melbourne, the majority of lots will be constructed in the five designated growth areas.

Figure D.1: Broadhectare land development process

(Strategic processes = yellow, statutory processes = blue)

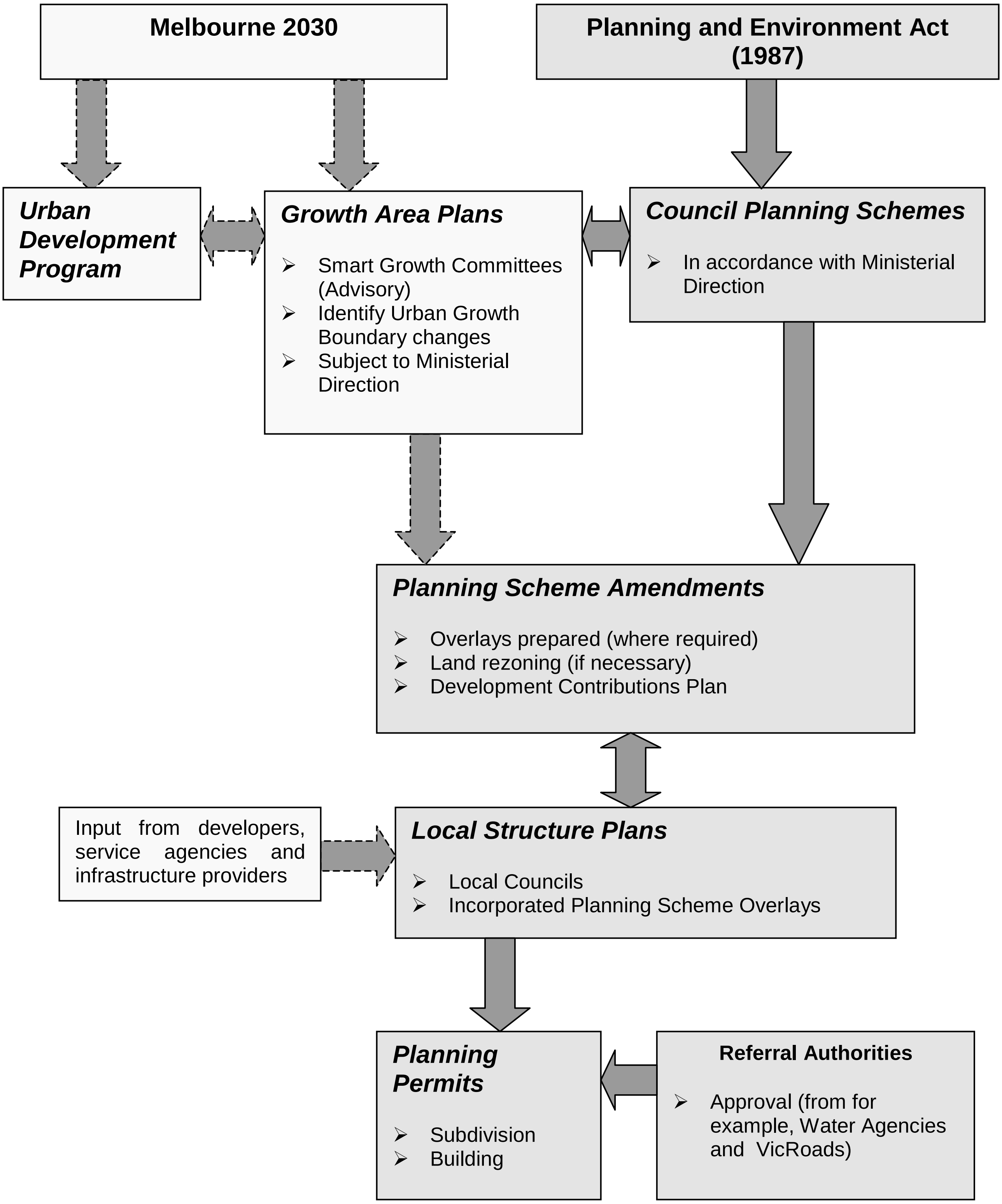


Table D.1: Metropolitan Melbourne region: broadhectare residential land availability and lot production

Region	Average annual lot development 1996-1999	Average annual lot development 2000-2002	Total availability (within Urban Growth Boundary)		
			Zoned lots	Lots not yet zoned	Total lots
WEST	3 250	5 200	49 100	10 500	59 600
NORTH	2 325	2 435	43 000	8 800	51 800
EAST	1 575	465	3 150	600	3 750
SOUTH	3 475	6 235	41 850	34 000	75 850
METROPOLITAN MELBOURNE	10 625	14 335	137 100	53 900	191 000

Table D.2: Geelong region: broadhectare residential land and lot supply

Statistical Local Area	Average annual lot development 2001-2002*	Total availability		
		Zoned lots	Lots not yet zoned	Total lots
GREATER GEELONG	940	7 660	3 890	11 550
SURF COAST EAST	140	2 640	610	3 250
GEELONG REGION	1 080	10 300	4 500	14 800

** Note that data on recent development for the Geelong region is only available for 2001-02, while data for metropolitan Melbourne is available for 2000-02.*

In order to assess the ability of the above supply of lots to meet future demand, the number of new households that will be formed, based on projected population increases, are allocated between regions, generally by local government area. This allocation is then compared with projected lot production to estimate the number of years supply.

To take account of this desired spatial distribution of demand under *Melbourne 2030*, two projections of supply are calculated:

- A trend-based projection which assumes that historical patterns of development on the fringe and in established areas will continue; and

- An aspirational-based projection which allocates the 684,000 new households across metropolitan Melbourne in accordance with the estimates prepared for *Melbourne 2030*.[1]

[1] Department of Infrastructure 2002, *Melbourne 2030 — Planning for Sustainable Growth, Implementation Plan 3 (Draft): Housing*, pp. 7-8, October.

Adequacy of land supplies for residential development

For residential land in designated growth areas, the Department of Sustainability and Environment has adopted a target of identifying sufficient land supplies to meet the next 15 years of forecast demand. Zoned land should be sufficient to meet 10 years of forecast demand.

This means that the prospect of land shortages would not become a major determinant of business strategies, or have a major influence on land prices.

A 15-year UDP period also provides more than adequate time to allow the state and local governments to fulfil their statutory planning obligations, including initiating required rezonings.

The commitment to maintain a 15-year supply recognizes that, compared with established areas, the supply of dwellings in growth areas can be increased relatively more quickly in periods of strong demand for housing.

D.3 Committees for Smart Growth – growth area reviews

The Committees for Smart Growth are currently being established. They will be responsible for reviewing and revising existing plans or developing new plans for the development of the designated growth areas consistent with principles, directions and policies in *Melbourne 2030*. Membership of the committees will include representatives from government, local councils and industry.

The Committees will be supported by technical working groups who will prepare the program of investigations necessary to identify development constraints, and generate and evaluate planning options. The technical work will include, for example, identification of heritage and conservation areas and values within the growth areas, and of any areas unsuitable for urban development due to potential flood risks, servicing constraints and hydraulic services, and infrastructure options. The results of the technical work will be given to the Committee for Smart Growth for comment and review.

The Committees for Smart Growth will recommend a preferred structure plan which will indicate the way in which each growth corridor will develop in future and, among other things, define the longer-term location of the urban growth boundary.

D.4 Sources of supply: major redevelopment sites

At present, specific site information is collected for major sites that will yield more than 20 new dwellings. Some activity centres identified in *Melbourne 2030* and Metropolitan Transit Cities include major redevelopment sites. Sites yielding less than 20 new dwellings are included in dispersed infill development as discussed below.

The nature of redevelopment projects means that very few sites are identified more than five years ahead. Information is currently not available for major redevelopment sites for Geelong.

The timing and number of dwellings from major redevelopment sites is based on information provided by development companies and local councils. The anticipated supply of dwellings from major redevelopments sites is shown in Table D.3.

Table D.3: Metropolitan Melbourne: residential redevelopment dwelling supply

Region	Average annual dwelling development 2000-2002	Total anticipated new dwelling units 2003-2007
WEST	1 410	5 070
NORTH	1 120	5 440
EAST	1 400	8 960
SOUTH	760	4 000
INNER	4 840	26 430
METROPOLITAN MELBOURNE	9 530	49 900

D.5 Sources of supply: dispersed infill development

Dispersed infill development is development that is not included in broadhectare (greenfield) estates, designated activity centres or major redevelopment (brownfield) projects (such as Beacon Cove or Kensington Banks). They are typically small developments (such as dual occupancies or knock down of one house and replacement with three to five town houses) that occur across the residential suburbs.

At present, details about the supply of dwellings from dispersed infill development are not collected directly. Rather, the supply is estimated on a local government area basis as a residual through dwelling approval data. It is derived by subtracting dwelling approvals for broadhectare land and major redevelopment sites from total approvals. Overall, disperse infill development provides approximately 35 per cent of new dwellings.

D.6 Land supply in regional centres

Generally, there is considerable stock of zoned residential land in regional centres across Victoria. In some centres, there will be a requirement to rezone land in the shorter term, and municipal strategic plans are being reviewed accordingly.

Appendix E: State Fees and Charges

E.1 Building Commission

E.1.1 Background

The Building Commission is principally responsible for building control functions in the Victorian building industry, established under the *Building Act 1993*. These functions include setting and administering building quality standards and the registration of building practitioners. Regulatory controls over building activity ensure the safety and habitability of buildings. The State plays an important role in establishing technical building standards and ensuring that standards are being met by industry.

However, these functions come at a cost to the Victorian building industry through: (a) a building levy on domestic and commercial building work, (b) a practitioner registration fee per practitioner per annum, and (c) the cost impost of meeting minimum quality assurance standards in building construction.

These costs are passed onto consumers and have minimal impact on housing affordability. Furthermore, these additional costs provide a substantive net benefit to homeowners.

E.1.2 Administrator of Australian Building Codes

The Australian Building Codes Board (ABCB) is a national body responsible for establishing uniform building codes to be adopted on a national basis as a cost-effective solution to building control. The Building Commission is responsible for administering the national code in Victoria.

National building codes were created to establish codes, standards and regulatory systems that are cost-effective and consistent between the States and Territories. The objectives are to meet community expectations of:

- Occupational health, safety and amenity issues in the design, construction and use of buildings;
- Efficient and cost effective technical building requirements;
- Undertaking or promoting research into innovative and cost-effective solutions;
- Facilitating an efficient regulatory environment; and
- Investigating opportunities for deregulation.

E.1.3. Administrator of Victorian Building Regulations

The introduction of Victorian-specific building code initiatives (in addition to the Australian Building Codes) are aimed at: (a) improving the overall quality standards of building works, (b) facilitating public safety issues, and (c) providing consumer protection against sub-standard workmanship. The key areas of Victorian-specific building regulations that have a nominal cost impact on consumers include the mandatory fitting of:

- Fences around pools and spas;
- Smoke alarms in all new dwellings; and
- Energy saving features in all new dwellings (as of July 2005). While this measure will add approximately $3000 to the cost of an average home, it is expected to save consumers approximately $200 per annum in reduced energy costs.

It should be noted that these policy initiatives have not only been based on an evaluation of positive net benefit outcomes, but have also been in response to a high level of public demand for legislative solutions. The obvious net benefits of these initiatives are a reduction in the loss of life through pool drowning and house fires, and greater levels of energy conservation in the home.

E.1.4 Building industry levies in Victoria

E.1.4.1 Building Permit Levy – General Levy

The General Building Permit Levy is payable at the rate of 0.064 cents in the dollar on the value of building work requiring a building permit. The levy is not payable on an application for a building permit if the cost of building work is $10 000 or less. This revenue is used to fund the building control operations of the Building Commission.

E.1.4.2 Building Permit Levy – BACV Levy

On 11 June 2002, the passing of the *Domestic Buildings Contracts (Conciliation and Dispute Resolution) Act 2002* in State Parliament resulted in the introduction of the Building Advice and Conciliation Victoria (BACV) building permit levy. This represents a further 0.064 cents in the dollar of building permit levy on the value of building work requiring a building permit over $10 000.

The Building Commission retains 56.6 per cent of the BACV building permit levy and 43.4 per cent of the new levy is payable on a monthly basis to the Domestic Builders Fund, administered by Consumer Affairs Victoria. This revenue is used to fund efficient mechanisms for dispute resolution and reduction between consumers and building practitioners.

E.1.4.3 Domestic Building Indemnity Fund

On 8 June 2001, the passing of the *House Contracts Guarantee (HIH) Act 2001* in State Parliament resulted in the introduction of the HIH building permit levy. This represents a further 0.032 cents in the dollar of building permit levy on the value of domestic building work requiring a building permit over $10 000. This revenue is used to fund half the value of builders warranty insurance claims for policies previously written by HIH, with the other half being met from Consolidated Revenue.

E.1.4.4 Practitioner registration fees

The current registration of building practitioners aims to protect consumers from the potential of building practitioners to cause them harm through incompetence, error or misconduct. The current registration fees are as follows:

Practitioner Category	*First year*	*Renewals*
Domestic builders (unlimited categories)	$680	$180
Domestic builders (limited – categories of work)	$540	$180
Other Practitioners	$90	$90

The revenue from practitioner registration fees are used to fund the administrative arrangements to check the qualifications and insurance status of practitioners prior to registration and at registration renewal. These are also used to conduct practitioner investigations and performance audits, and fund the prosecution process through the Building Practitioners Board.

These processes aim to provide consumers with assurance that only suitably qualified and experienced practitioners will be permitted to practice.

E.1.5 Conclusion

Regulation and maintenance of building standards and the registration of building practitioners comes at a cost to industry which is passed on to the consumer. However, several studies have shown that these costs provide an overall net benefit to consumers through improved quality of workmanship, efficient and cost-effective building design and construction, and facilitating improved market dynamics between building practitioners, service providers and consumers.

E.2 Land titles

E.2.1 Fee categories

The fees paid to Land Registry that are associated with purchasing a home are prescribed in the *Transfer of Land Act (Fees) Regulations 1993* and are typically in three categories. The fees and purpose are:

- Title search fee - provide details of ownership and interests in the property being purchased
- Transfer fee - for registration of the transfer and update of the ownership details
- Mortgage fee - for registration of the mortgage

E.2.1.1 Title search

The Land Registry statutory fee for a title search delivered over the counter is $7.50.

A title search can also be undertaken on-line through a broker. The fee for an on-line title search could vary between $12.00 to $15.00 and comprises the $7.50 statutory fee, $3.00 LANDATA® fee and a broker fee of $1.00 to $6.00.

E.2.1.2 Transfer

The statutory fee for registration of a transfer is $90.00 plus $2.46 for every whole $1,000 of the price paid for the property. The total fee does not exceed $1,320. For example,

- for a $250K property, the fee would be $705; and
- for a $500K property, the fee would be $1310.

E.2.1.3 Mortgage

The statutory fee for a registration of a Mortgage is $59.00.

E.2.1.4 Other

- In a small number of cases (about 3 per cent), there may be other fees which a purchaser may elect to pay. For example, the purchaser, at their discretion, may lodge a Caveat, for which the fee is $59.00.
- Land Registry also collects fees for the registration of plans of subdivision and the issue of new titles resulting from the plan. The fees charged are $333 plus, for each lot in excess of four, an additional $120. The fee for a 10-lot subdivision would be $1 053.
- Other fees and charges associated with purchasing a new home and collected by others include: bank charges, conveyancing charges, stamp duty and the cost of purchasing Land Information Certificates (council and water rate certificates) from local government and water authorities.

The Regulations have not changed since 1993 and are to be remade in 2004.

E.2.2 Nature and rationale

Victorian property assets have been valued at over $557 billion, with a commensurate trade and exchange between parties to a value of $27 billion per year.

Land Registry provides a set of publicly available rules and a consistent, independent and trusted system for recording land description, boundaries, ownership, value and land use.

A secure freehold land market is of fundamental and critical importance to economic development in Victoria. The community uses land/property assets to build wealth and underpin business development. A secure and trusted land administration system provides certainty of land ownership and tenure. It allows the community to realise and trade in the stored value contained in their land and property assets.

By contrast, absence of government-regulated land information systems in the developing world has meant:

- No guarantee of security of land/property ownership;
- Land/property assets are not exchangeable and cannot be used as collateral (as ownership cannot be legally proven); and
- Authoritative information about value/assets is not readily accessible to the general public.

The end result is that people are unable to make full use of their land/property assets or use as collateral in building wealth and securing business development.

E.2.3 Land Registry's fees

Most of the transactions and revenue generated from land registration and transfer fees relate to fees payable on transfer of ownership and registration or discharge of mortgage.

These fees include a fixed component (based on the cost of service provision) and an ‘ad valorem fee’, calculated as a percentage of transferred property value.

The fee structure for land registration benefits first home buyers and people on lower incomes. The progressive nature of Land Registry’s fees, mainly as a result of the ‘ad valorem fee’, means that people transacting in higher value properties pay more.

The Government has not increased land registration and transfer fees since 1993.

The Government Guarantee, which is provided upon registration of a land transfer, offers security for home buyers and avoids the necessity to take out the types of title insurance which are commonplace in the United States and Europe.

E.2.3.1 Fee examples

Land Registry’s fees do not differentiate between Houses, Units or Vacant Land. The fees payable are dependent only on the value of the property/land being transacted. The following table provides the actual fees payable compared with median prices as published by the Valuer-General Victoria in the Guide to Property Values 2002.

Property description	*Value (median prices)*	*Land Registry fees*
Residential Metropolitan Melbourne		
Houses	$258 000	$725
Units	$240 075	$681
Vacant Land	$86 500	$302
Residential Country Victoria		
Houses	$144 000	$445
Units	$122 250	$391
Vacant Land	$50 000	$213