

Sustainable Transport

Coalition WA

c/- Conservation Council of WA
2 Delhi Street West Perth WA 6005

16 October 2003

Inquiry into First Home Ownership
Productivity Commission
LB2 Collins Street East
Melbourne VIC 8003

Dear Madam/Sir

First Home Ownership

The Sustainable Transport Coalition WA is a coalition of non-government organisations and local councils supporting sustainable transport. The Commission's Inquiry into First Home Ownership is of interest because of the debate over land use controls, infrastructure charges and housing affordability. We offer the following comments to the inquiry.

As the Commission's Issues Paper notes (page 16), the supply of land has largely been through rezoning of land on the urban fringe. This is where many first home buyers locate because they can afford it - or can they? A household may be able to afford a house and land package in an outer suburb, but locating there will probably mean high transport costs and limited access to many social and economic opportunities. It is important that housing affordability be seen in this broader context.

The 1999 Household Expenditure Survey found that transport, mostly costs associated with car ownership and use, accounted for 16.9% of average household spending - was the second greatest item of expenditure (ABS 2000). Low income households in outer urban areas have the greatest dependency on private car travel and spend up to a quarter of household income on transport (Warman 2001).

A study of transport energy use in inner, middle and outer Perth suburbs found that households in outer suburbs drove the most and so spent the most on petrol (Newman, Kenworthy and Lyons 1985). More recently, a study for the National Taskforce on Integrated Land Use and Transport Planning found that distance from the central business district is the key factor in predicting transport energy consumption and so transport related greenhouse gas emissions (ERM et al 2001). Local travel surveys in Perth have confirmed that outer urban households use the car for a greater share of the trips they make and have longer trip distances than the metropolitan average (Colin Ashton-Graham, WA Department for Planning and Infrastructure, personal communication).

Our point is that providing more land at the urban fringe may well mean that first home buyers have high transport costs. Amenities in outer suburbs, especially developing areas on the fringe, are usually limited as are transport choices. Limited opportunities for employment in local area, few social services and poor public transport (low frequency, long journey time) can put outer suburban dwellers at a disadvantage, compounding disadvantage due to low income.

First home buyers or other low income households have limited choice in residential location because of their earnings and high transport costs can themselves be a barrier to home ownership. This has been recognised as a significant equity issue in the US (see for example STPP and CNT 2000, STPP 2003). One way this has been addressed is through an innovative mortgage product. Location-efficient mortgages allow people to borrow a greater amount for purchase of a dwelling in a high access location by taking into account their transport savings (see relocation efficiency.com). By living in a location with good access by public transport, cycling and walking and a good mix of land uses, households are likely to spend less on transport than if they were in a location with poorer travel choices. This is factored into the equation through location-efficient mortgages.

In looking at housing affordability and first home buyers we urge the Commission to consider the effect of housing location on household expenses and opportunities. Location-efficient mortgages are one means of providing more affordable housing choices for first home buyers and should be supported in Australia. We understand the Australian Greenhouse Office is to consider how to support such an initiative (Joey Tabone, Australian Greenhouse Office, personal communication).

Continuing to release large areas of land on the urban fringe as a primary strategy for housing affordability is not sustainable. Australia has plenty of land, but opening fringe areas up to housing development comes at a high cost. The costs include car dependence (Australian cities are amongst the world's most car dependent), urban air pollution and greenhouse gas emissions (motor vehicles being significant contributors), physical inactivity (health costs from a more sedentary population with fewer walk and cycle trips a contributor) and urban sprawl (loss of natural habitat, encroachment on agricultural land and water catchments, and significant servicing costs impacting the public purse).

Another cost of sprawling growth and car dependence is vulnerability to changes in oil supplies. Oil is the predominant energy source for transport but domestic production is declining and world production of traditional oil may peak in 10 to 20 years (Foran and Poldy 2002, Robinson 2002). If this peak occurs then oil will become a much more expensive commodity and land use and transport systems that assume cheap oil will be impacted. There is little government action to make the transition to lower energy demand and alternative transport energy sources; an exception is the WA Government's Transport Energy Strategy Committee (TESC 2003). Importantly, the scenario of more constrained and expensive oil supplies would mean increased household transport costs and first home buyers in outer suburbs could be amongst the most affected.

The cost of servicing new residential development on the urban fringe is of concern. A review of the costs of urban form concluded that, in general, development in inner and middle suburbs generates lower costs than development in outer suburbs (ERM 2001). The impost on the taxpayer takes the form of road infrastructure, utilities, schools, public transport services and the like. A small portion of costs is recovered through developer charges. There is a case for greater developer charges to fund the provision of necessary infrastructure and services to

developing communities. Such costs could also provide a price signal favouring more efficient urban form.

A recent community consultation forum on Perth's future development, involving over 1,000 people from business, government and community sought action on urban sprawl (see www.dpi.wa.gov.au/dialogue). Measures such as an urban growth boundary and targeted density increases have been proposed to limit urban spread, better use existing urban land and infrastructure capacity and achieve better land use integration. Similar concerns and actions have been expressed in other Australian cities; see for example the Victorian Government's Melbourne 2030 strategy (Government of Victoria 2002). This strong public interest in enhancing urban sustainability should be recognised in the inquiry.

A representative of the Housing Industry Association recently criticised the urban growth boundary (presumably Melbourne's) (on ABC Radio's The World Today October 7). A widely cited example of an urban growth boundary to manage settlement patterns is that of Portland, Oregon. Research into the link between growth management and housing affordability in the US found that land constraints were not primary determinants of housing prices (Nelson et al 2002). For Portland, the study noted that increasing housing demand and economic conditions affected housing prices much more than the effects of the growth boundary. Growth management measures need to be designed carefully, but housing affordability is not guaranteed by urban sprawl either.

It is worth noting the current inquiry into urban sustainability by the House of Representatives Standing Committee on Environment and Heritage. The terms of reference for the inquiry include investigating mechanisms for the Commonwealth to promote ecologically sustainable patterns of settlement. Housing assistance along with transport investment and leadership in urban planning best practice could be an important means for the Commonwealth to enhance sustainability in our cities.

In summary, the Sustainable Transport Coalition urges the Commission to:

Consider housing affordability in a broader context, including housing location and its impact on household transport choices and costs

Support research into location-efficient mortgages as a way of giving lower income households the choice of living in areas with good travel choices

Acknowledge the need for alternatives to fringe focused residential development if Australian cities are to become more sustainable, liveable places.

If you would like to discuss the points raised here please contact David Worth, phone 0414 509 043 or David Wake, phone 08 9420 7268.

Yours sincerely,

David Worth
Convenor

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