
SUBMISSION ON

PRODUCTIVITY COMMISSION

Inquiry into:

FIRST HOME OWNERSHIP

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The District Council of Grant is pleased to have the opportunity to lodge this submission to the Productivity Commission's inquiry into First Home Ownership.

Our area is located in the south-eastern corner of South Australia. This region is one of the most productive agricultural and horticultural regions in Australia. It is renowned for wines, timber products, dairying, meat, grain, vegetables and fishing.

Our Council is bounded on the east by the South Australian-Victorian Border, and on the south by the Southern Ocean. We are predominantly a rural Council. Our population is approximately 8300 persons, and our area covers approximately 188,500 hectares. This includes some 79 kilometres of coastline and several coastal townships.

Our Council area surrounds the Local Government area of the City of Mount Gambier, which is South Australia's largest City outside metropolitan Adelaide. As such, both the City and ourselves have experienced strong growth and development in our respective areas. In addition, we have seen unprecedented demands in very recent times for land in coastal areas.

Recent years have seen record levels of development applications, including new dwellings, in this Council area. The demand for new housing has meant that there are now considerable delays in obtaining tradespeople for building work, both large scale and small scale. Delays of up to nine months have not been an uncommon occurrence, as advised to us by persons waiting for tradespeople to commence projects.

We would like to address the following matters raised in the Issues Paper :

- Taxation – Goods and Services Tax (GST), and Stamp Duty
- Local Government Fees and Charges
- Availability of Land
- Servicing of Land – Infrastructure
- Size of New Homes

TAXATION - GOOD AND SERVICES TAX (GST) AND STAMP DUTY

The information provided in the Issues Paper indicates clearly that the Goods and Services Tax (GST) has had an impact on housing costs. There was strong opposition by the building sector to the GST at the time of its introduction, and it continues to be a concern to builders and developers.

The figures quoted in the Issues Paper are quite alarming. Page 20 indicates that the GST included in a new \$540,000 house and land package in Sydney would be around \$43,000. Together with the Stamp Duty estimated at \$15,000, these costs will account for well over one year's gross salary for many people. This is a significant cost in any new home.

There has also been recent publicity indicating that the Grant has been paid to first home buyers who have bought or built homes valued at over 1 million dollars.

The First Home Owners Grant is obviously of assistance to buyers, but at only \$7,000 its value must surely be questioned. To encourage home ownership and to support continued development, this Grant should be increased. However, there must also be some means to establish that this Grant is being awarded to people in need.

LOCAL GOVERNMENT FEES AND CHARGES

Fees and charges applicable to Development Applications are determined by the State Government and incorporated in the Development Act. They are reviewed regularly and generally are increased every six months in line with CPI increases. Average Council fees on a \$200,000 home of say 25 squares would be under \$700. Additional fees for an Effluent Disposal System in non-sewered areas would take this total to around \$900. These fees are relatively minor when considered as part of the overall cost – in the order of half of one percent.

In South Australia there is also a Construction Industry Training Board (CITB) Levy payable on all new work exceeding \$15000 in value. This is a State Government charge, with income used for training within the building industry. On our example, the CITB Levy would be an additional \$500.

There is little scope for Councils to vary fees and charges for new homes and other developments. At the District Council of Grant we do our best to reduce delays to applicants and developers, as we feel that this is one of the most practical ways to contain costs. We endeavour to process applications speedily, and we offer our assistance to applicants where they may have difficulty in providing the required information.

AVAILABILITY OF LAND

We have been previously advised by Planning SA that our Council is unique in South Australia, in terms of the demand for Rural Living and Country Living land within a few kilometres of the City of Mount Gambier. We have experienced strong demand for land in such zones in this area for many years. Areas recently re-zoned for Rural and Country Living have all experienced excellent development and strong take-up. Demand continues and there is limited additional land available, as we were not permitted by the State Government (Planning SA) to re-zone as much land as we had originally intended.

We are continually frustrated by the State Government Plan Amendment Report (PAR) process. The PAR process in South Australia, includes the following steps :

- Council undertakes preliminary investigations and research
- justification of demand for land to be re-zoned must be provided to Planning SA
- two rounds of formal Government Agency consultation are required, as well as informal consultation in early investigation stages
- two months formal Public consultation is required, even for minor issues, in addition to any preliminary consultation undertaken by Council
- there are three separate approval stages through the Minister

This process generally takes two years, although if everything goes “by the book” and there are no delays, this can be reduced. A smooth passage for rezoning is rare.

This drawn-out process affects our ability to provide appropriately zoned land, and the resultant shortage inflates the price of the limited allotments available. The high demand for properties is ongoing. We are unable to respond to this demand in a timely manner, particularly in coastal areas where the demand has to some degree caught us unaware.

SERVICING OF LAND – INFRASTRUCTURE

We have also experienced delays in the servicing of land. Infrastructure such as power, water and sewer are required to be installed by State Government authorities – or more recently, their privatised versions. We have without exception seen a reduction in service where privatisation has occurred. Staff numbers have been reduced, and regional offices have been closed. Contact with these organisations is often through 1300 numbers in the telephone directory. There is little or no local representation or opportunity for face-to-face contact with these organisations. This results in frustrating and time consuming telephone calls and lack of understanding of local issues by persons in Capital cities.

These delays affect both preliminary information prior to development approval, as well as physical installation of required infrastructure prior to housing development.

SIZE OF NEW HOMES.

Our experience supports the information on Page 9 of the Issues Paper, stating that the average size of new homes has increased by 29 per cent in the last decade. We have witnessed a steady increase in home sizes over the last 20 years or so, where the average size of 15 squares has now almost doubled. Homes as large as 40 or 50 squares are now not uncommon.

Reasons for this increase are unclear. Many people do tend to spend more time at home entertaining and socialising, where perhaps once they would have gone to hotels and restaurants more frequently. Drink-drive laws will have had an effect on these habits. Lifestyle is different here than the Capital cities, where there seems to be an increase in the number of people eating out.

It is interesting to note this increase in home size, while acknowledging that the number of occupants per home has decreased (Page 12 of the Issues Paper).

Rod Storan
DEVELOPMENT MANAGER