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Productivity Commission
Inquiry on First Home Ownership
LB2, Collins Street East
MELBOURNE VIC 8003

Dear Sir/Madam,

Productivity Commission Inquiry on First Home Ownership

The Productivity Commission has commenced an Inquiry on First Home Ownership and is inviting submissions on any relevant issue from organisations and individuals. The Hickinbotham Group wishes to make a submission to the Inquiry, the details of which are contained below.

1. Introduction

The Hickinbotham Group believes it is well placed as a major home builder for the first home entry market to contribute to this Inquiry and would welcome further contact with the Inquiry during its public hearing phases and reporting.

Established in 1954 the Hickinbotham Group is a major home builder and land development company in South Australia. These activities are integrated with commercial building, shopping centre management, real estate and finance. The Group has broken ground in innovative water management projects including the design and construction of a local effluent drainage plant for Renmark Council and an aquifer recharge project within the Andrews Farm housing development. (Andrews Farm is an area on the northern fringe of Adelaide within the Playford Council area)

The Hickinbotham Group opened a Brisbane office in 1979 where the successful formula of integrated land development and home building was repeated.

The Hickinbotham Group, having housed 30,000 people over four decades and developed more than 50 community estates, has had an important influence in South Australian and Australian housing.

It is emphasized that to provide a new area of a city that is suitable for the 2003 discerning home buyer a number of fundamental steps must be undertaken:

- Land, that is strategically placed, must be acquired often many years before houses are built and held by the developer until the market is ready for the new housing. South Australia has a Government held land bank but release of this land is restricted and because of significant demand is expensive for an affordable housing product.

The current Government land bank is likely to be depleted within the next ten to fifteen years.

- The land that is acquired by the developer must be suitably zoned for housing and if it is not residentially zoned on acquisition it must be subjected to Development Plan reviews and a lengthy time period for the zoning change (often up to 3 years). There is a significant risk in this process that the land may not be re-zoned.
- The Hickinbotham Group will not develop any new area without considerable planning in relation to road layout, traffic management, electricity and water reticulation, stormwater management (including re-use), major new landscaping and recreation areas, preservation of areas of sensitivity, local shopping, education facilities and other community assets. The Hickinbotham Group emphasis has been to build a community from scratch and to maintain that community's viability and sustainability.
- The Hickinbotham Group has been involved in innovative financing arrangements with its new home buyers and there has been a major emphasis on assisting the first entry buyer to purchase an affordable product and to continue to own that product in the tough early times of buying a home, developing a career and establishing a family. Hickinbotham has many examples of allowing the Australian dream to become reality.
- When developing land from green fields to communities the emphasis is on the long-haul and Hickinbotham has been involved in major developments such as Andrews Farm, Foxfield, (Athelstone), Manor Farm (Salisbury East), Woodend (Sheidow Park) and Windermere that can take up to twenty five years to mature. Thus there is a commitment to the sustainability of the community that is being created.
- When a community is fully developed and the construction phase ends there will still be a connection with that community particularly in relation to the next generation of home buyers and Hickinbotham's reputation has been such as to provide housing for the sons and daughters of its first home buyers.

2. First Home Ownership - Major points

The Hickinbotham Group is aware of other submissions that have been made to the Inquiry from the UDIA chapters in each Australian State and because of its close affiliation with this body the Hickinbotham Group supports the intent and principle of these submissions.

Not-with-standing the comprehensive nature of these submissions the Hickinbotham Group would like to emphasise the following matters:

2.1 The availability of land and its impact on affordability

The metropolitan area of Adelaide is now subjected to an Urban Growth Boundary (UGB) which restricts development to available land within that boundary. Other land opportunities within the Outer Metropolitan area and within easy commuting distance are limited and the supply of suitably zoned and serviced land is limited.

Within the UGB land is restricted to areas that are already within the ownership of the Land Management Corporation or private non developers. Some land is currently held by the development community but under the recent buoyant housing market this is rapidly diminishing. The State Government acknowledges that it sees no lack of supply of suitable land for housing in the short term but fails to address fundamental issues.

- The State Government's own monitoring facility has indicated that supply of new land will be used up within ten to fifteen years.
- There is no requirement within the current UGB formulation to review the boundary. As the Victorian UDIA submission indicates "It is not necessary for an actual constraint on the supply of land to occur to create a rapid escalation in the wholesale price of land- all that is required is a perception that it may be the case" and panic buying is occurring in the Victorian case and has been noted in South Australia as developers pursue the necessity to provide stock for their production processes. The process is also being driven by market entrants from the already constricted eastern states in the local market (note new developers involved in the purchase of land at Aldinga in Adelaide's south).
- Land will need to be made available from regenerating existing residential areas and there will be a restriction on densities and locations by current zoning requirements.
- There is no likelihood that a significant proportion of land that is held by private householders will come on the market.
- The number of major under-utilised sites that could be suitable for housing is limited.

With the severe limitations on land, particularly in the areas that the State Government wishes to promote, (around transport routes and public transport nodes) there will be a diminishing supply, an increase in price and a decline in affordability.

The possibility of providing housing in the expanding regional centres is severely hampered by a lack of overall regional policy. It is often not possible to provide an affordable housing product in these centres. The result is often shortages of housing or significant cost of house purchase or rental. Local governments in these areas are faced with a lack of resources, planning and infrastructure and cannot provide for new growth. This will eventually lead to a cramp on the region's ability to expand.

2.2 Cost of Land and Housing Development

The cost of development has increased particularly as the various levels of government have been able to identify housing and land as easy taxation targets and through stamp duty, levies, contributions to services and open space impose a complex set of charges. The nature of the revenue streams has created a dependency by levels of Government on housing/land based taxation and stamp duty is an

excellent example of this in the case of the State. Significant windfall gains from housing booms makes this area of taxation even more important.

The HIA report “Restoring Housing Affordability” is seen as an important step in unwinding the complexity of this area of exploitation. It is important to note that it is not seen as useful that submissions from Government’s themselves be given any credibility in this regard and it is **recommended** that a totally separate audit be undertaken of taxation, its levels, complexities and impact on the developer and the house buyer. It is seen as essential that the whole gamut of taxation, particularly taxes that build on other taxes, is rationalised and a far simpler single tier of charge applied.

2.3 Provision of essential infrastructure services.

It is considered that State Government has not only abrogated its responsibilities to provide timely and coordinated essential infrastructure services but through a comprehensive privatisation programme has outsourced its abilities to effectively control infrastructure provision. The confusion in regard to electricity provision to new development and the level of charges is an excellent example of this.

Infrastructure was identified by the recently conducted Economic Growth Summit and Report as a major concern for South Australia. There is a significant infrastructure asset that now requires maintenance and in many cases replacement. Particular services such as waste water and storm water are at the point where without major attention there will be impediments for future development activity. Government must act in a strategic manner on these matters and seek to overcome the risks without passing the entire cost burden on to today’s developer. The aversion to borrowing money for essential infrastructure must be overcome and the cost of new and replacement infrastructure passed to the consumer over the life of the item.

The outsourced agencies now pass their costs directly to the developer through various charges and levies and a significant part of this finds its way to the new house owner adding to individual debt and a significant loss of affordability. Government’s are broadcasting their declines in debt but at the expense of the individual property owner and this is not seen as an equitable situation.

2.4 Inefficiencies and delays in the approval processes

The increase in regulation and regulatory bodies, particularly those that surround the planning system is a source of higher costs, delays and frustration by the land and housing industry.

No other industry in Australia has to deal with this level of control by so many different jurisdictions using so many different sets of criteria. The controlling bodies, particularly local government, are under-resourced for the level of activity and often place their most inexperienced staff on Development Assessment. This is exacerbated by very high levels of staff turn over and one can deal with at least three different staff on a single development application. The strategic and policy areas of

government are under-resourced and in some cases non-existent so this leads to a lack of creative facilitation for development so rather than a “what can I do to achieve this development” attitude, it is “what can I find wrong with it”. Most people who work in Development Assessment have no experience in development. This should be a pre-requisite for working in this area of Government.

All this means delay and consequent cost.

In principle there is nothing wrong with the concept of a Development Plan that is updated regularly by Planning Amendment Reports so that new land can be made available within constraints for development. In practice this does not occur and the time for amendment is lengthy, often taking up to three years. The arguments for change are poor and dominated by local irrelevant agendas rather than those that would emphasize the importance of the development.

I thank the Commission for the opportunity to put these points before it. I would welcome any further opportunities to make contributions at the public enquiry or report stage.

Yours faithfully,
Hickinbotham Group

MICHAEL HICKINBOTHAM
Managing Director