

December 22 2003

Inquiry on First Home Ownership
Productivity Commission
PO Box 80
Belconnen ACT 2616

IMPACT OF DRAFT CANBERRA SPATIAL PLAN ON HOUSING AFFORDABILITY

Dear Sir/Madam,

Thank you for receiving submissions on the current and future affordability of first home ownership.

We note from our research that many submissions have focussed on the general causality of the fall in first home affordability. This submission however, targets a specific policy, and a specific region – being the ACT and surrounds, and the potential impact upon this area from the draft ACT Spatial Plan, which was released for comment on 3rd November 2003, and is available at:
<http://www.actpla.act.gov.au/ourcanberra/futurecanberra/word/spweb.doc>.

The impact of the draft Spatial Plan is perhaps exacerbated by the current Territory Government's policy of seeking to progressively take control of all greenfields residential land development in the Territory.

This submission will comment on the potential effect of this issue on housing affordability by examining the following areas:

1. Regionalism & Population Growth
2. ACT Preferred growth scenario
3. Anti-Competitive effect on housing affordability

Regionalism & Population Growth

Although divided by a territorial border, the ACT and the surrounding NSW region (referred to as the sub-region) are socially and economically intertwined. A major component of the sub-region is Queanbeyan, which in June 2002 supported

43,934 people, being 12% of the combined ACT and sub-regional population of 365,753¹.

Growth forecasts indicated that the regional population will grow to reach 418,000 by 2016 and 500,000 beyond².

Given the size of the sub-regional population, and the commensurate social and economic contribution that such a significant proportion makes, it is important to consider the region holistically – not simply in terms of the ACT, with the NSW portion viewed as a separate entity.

The draft Spatial Plan concurs with this view, noting that; “*The Spatial Plan cannot of necessity treat Canberra as an island, but must also consider the surrounding NSW region.*”³ The draft Spatial Plan further states that, as a planning criteria; “*Planning decisions should, wherever practicable be made in the interesse of the broader region.*”⁴

ACT Preferred Growth Scenario

Whilst the August 2003 *Towards the Canberra Spatial Plan* document considered the regional context (growth option 2 – *A City Beyond the Border*), the November 2003 draft Canberra Spatial Plan’s preferred option places all forecast growth **within** the Act border, noting that no major additional settlements will occur outside the ACT⁵.

This preferred growth scenario seeks to artificially constrain growth to within the Act area, denying an integral part of the sub-region, and in particular Queanbeyan with 12% of the region’s population, its right, as a regional population and employment centre, to grow.

Anti-Competitive Effect on Housing Affordability

In considering the effect of the draft Canberra Spatial Plan on housing affordability, two key points need to be considered.

Firstly - The draft Canberra Spatial Plan notes the decreased affordability of housing within the Act compared to the NSW portions of the region, and that this has led to increased rates of growth in Queanbeyan and the sub-region compared to the ACT⁶.

¹ ACT Planning & Land Authority, *Towards the Canberra Spatial Plan*, p. 17, ACT Govt Canberra, August 2003.

² *ibid*, p.18.

³ ACTPLA, *The Draft Canberra Spatial Plan*, p. 59, ACT Govt, Nov 2003.

⁴ *ibid*, p.62

⁵ *ibid*, p.4

⁶ *ibid*, p.60

Secondly – the ACT government has a declared policy of moving to public sector land development.

These two factors combined, if fully implemented, may result in nearly all new housing in greenfield locations being within the higher priced ACT portion of the region. As mentioned before, this action when combined with the Territory's stated desire to take control of all greenfields land development in the Territory, could result in a significant reduction in competition, with a commensurate impact on affordability over time.

Conclusion

At 12% of the population, the Queanbeyan area comprises a significant component of the ACT/NSW sub-region. The draft Canberra Spatial Plan, with its preferred option of limiting growth to within the ACT border, denies or at least seeks to limit growth in the region outside of the Territory, in particular, Queanbeyan and its surrounds.

In conjunction with this, the ACT government's move to public sector land development may severely limit competition in the land development industry in the region. Given that the Territory is, under the leasehold system, both the owner and regulator of new land release areas (and more recently the proposed major land developer) real potential for a government monopoly in new residential releases could be created.

Any negative impact arising from this combination of factors will impact most on first home buyers, who, as in other cities, will be forced out of the regional market, thereby having a longer term adverse impact on the region's ageing population and shrinking workforce.

We request that the Inquiry takes these issues into account.

Yours faithfully
CANBERRA INVESTMENT CORPORATION LIMITED

Anthony Carey
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