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The City of

# Newcastle

First Home Ownership Inquiry  
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Dear Sir/Madam

## **FIRST HOME OWNERSHIP INQUIRY - DISCUSSION DRAFT**

Thank you for the opportunity to comment on the Discussion Draft Report on the Inquiry into First Home Ownership. Council staff have considered the draft report and provide the following comments.

The report outlines the many issues and variables that directly impact on the housing market and housing affordability in Australia. It indicates the difficulty in achieving change to this market through modifications to any single component of these variables. The Report details the cyclical nature of the market that shows upturn is inevitably followed by downturn and that government is limited in its ability to have a direct impact on housing affordability for First Home Owners.

In general terms the Report concludes that opportunities for government influence exist through changes to the application of the First Home Owners Scheme (FHOS) and the reduction or elimination of stamp duties on property sales to facilitate increased housing affordability. However all aspects and effects of the tax system need to be considered in the broader context and not in isolation to housing based taxes.

In regard to the various topics discussed in the content of the report general comment is provided under listed chapter headings.

### **Chapter 5 - Has taxation played a role?**

The discussion on the GST and its introduction indicates that some duplication in taxes remain within the housing market. The duplication of tax through the multiple levying of tax (subject of a review in 2005 (Inquiry into First Home Ownership Discussion Draft, page 75)) indicates an increase in costs associated with the housing market that may in the short term be simply rectified through the removal of the duplicated taxes.

However the Commission's position on "*abolishing stamp duties rather than 'fine tuning' their application*" (inquiry into First Home Ownership Discussion Draft, page 81) is considered decidedly more complex and has the potential to have a greater impact on government revenue.

The Commission's indication that equity and transparency in the application of taxes would be improved through the elimination of stamp duty is supported. Conversely, should the collection of stamp duty remain, the allocation or redirection of these funds back into increasing housing affordability through government initiatives such as the FHOS and lower income housing (ie affordable housing being implemented by Metro Housing [www.metrohousing.org.au](http://www.metrohousing.org.au)) may provide greater community benefit and increased acceptance for this tax.

A review of the tax system as discussed in the Report is encouraged. Tax arrangements for investors have directly influenced the housing market and should be reviewed in the broader context of general investment and business activity.

## **Chapter 6 — Has supply got tighter?**

This section indicates that there has not been "a *substantial gap between underlying demand and new supply of housing*" (inquiry into First Home Ownership Discussion Draft, page 96). Therefore it can be assumed that planning systems are presently meeting demand pressures and are not creating unreasonable limitations on the supply of land for housing. However clear strategic planning at state government level must continue to be provided to achieve an adequate supply of serviced land for the housing market.

The Report comments on the political nature of the planning system at the Local Government level and its impact on the court system and decision-making processing times. The use of the appeals process to determine contentious proposals in an attempt to isolate these decisions from Local Councils continues to occur and unduly impacts on processing times, cost of development and ultimately the housing market. In this regard the NSW State Government has instigated changes to local government operations through local government amalgamations and the ongoing review of planning legislation in an attempt to assist in streamlining planning processes.

## **Chapter 10 - A case for direct assistance measures?**

The suggestion that targeted application of the FHOS based on income levels, through means testing and/or asset tests is supported. Application of the FHOS in a means tested manner increases the purchasers' ability to achieve affordable housing without having a direct impact on the overall housing market. This approach provides greater scope for increasing housing affordability for those with limited ability to access the housing market and also provides confidentiality to the purchaser. This targeted application of funding ensures that the overall housing market is not directly responding to the existence of a known grant and adjusting purchase price accordingly.

## **Conclusion**

The Commission's suggestion that changes to the application of the FHOS and the elimination of stamp duties on property sales will assist in increasing housing affordability is welcomed. However these possible changes are limited in their ability to significantly affect housing affordability for the broader Australian community.

A whole of government approach should see attention given to all the issues arising from current circumstances with regard to housing accessibility and affordability, and the development and implementation of a National Urban Strategy which provides policy solutions that benefit all groups seeking access to affordable housing.

A National Strategic direction needs to be set by the Commonwealth from which policy and governance of our cities can be guided. *"Urban issues are neither purely local nor purely domestic any longer but central to both national cohesion and sustainability, and international competitiveness"* (Recapitalising Australia's Cities, A Strategy in the National Interest. Discussion Paper for the Property Council of Australia, 2002. The Allen Consulting Group).

Once a National Urban Strategy is formulated individual state and city strategies can be identified with specific desired outcomes to achieve the national vision. This would enable an analysis of the local governance framework, infrastructure, socio-economic content and policy impacts that inform spatial policy and direct policy change at a Local, State and National level.

Yours faithfully

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