

**URBAN DEVELOPMENT INSTITUTE OF
AUSTRALIA
(WA DIVISION)**



**PRE BUDGET SUBMISSION TO THE GOVERNMENT
OF WESTERN AUSTRALIA**

MARCH 2005

1. Introduction

The Urban Development Institute of Australia (WA Division) (UDIA) is the peak body representing the urban development industry.

It is in this capacity that UDIA submits its suggestions for budget allocations in the Western Australian Government 2005-2006 budget statements.

The main focuses of our suggestions are in the areas of:

- Increasing infrastructure expenditure;
- Reducing business tax;
- Increasing funding for Western Power and other government agencies such as the Department of Environment; and
- Addressing chronic skills shortages in Western Australia.

2. About UDIA

UDIA is an industry association representing a wide range of private and government organisations involved in the creation of new residential communities in Western Australia.

The urban development industry is a major economic contributor to the state. A recent economic impact study commissioned by UDIA found that the total value of lot production, apartment construction and single residence construction for 2003/2004 totalled an estimated \$5,863m. Between 1999/2000 and 2003/2004 the total value of production for all three sectors averaged \$4,434m per annum.

3. Infrastructure Expenditure

It is a widely held view among the urban development industry and other sectors of the business community that government spending on infrastructure to date has simply not been enough.

Effective, reliable and cost-effective provision of services such as transport, water and energy is essential in terms of planning for the future prosperity of the Western Australian economy.

We do not want to see our infrastructure deteriorate in the near future due to a lack of commitment to upkeep, improvements and renewal of public infrastructure. Increasingly, developers are required to pay for the provision of public infrastructure as part of development projects, meaning new home buyers are forced to pay more for their new homes.

An increase in spending on infrastructure has been supported by a number of recent studies as a cause for an increase in economic output over any other types of public expenditure.

In its recently released report entitled *Modelling the Economic Effects of Overcoming Underinvestment in Australian Infrastructure* (August 2004), the Australian Council of Infrastructure Development has identified the following areas as suffering from serious under-investment Australia-wide:

- Electricity
- Gas
- Rail
- Road
- Water

UDIA therefore believes that increased government spending on electricity, water and roads is of crucial importance to the property development industry.

We therefore request that the government allocate additional funds for infrastructure provision in the 2005/06 budget on the following basis:

- Make a commitment to using funds raised through property taxes to provide essential infrastructure to new and existing residential communities, such as roads, public transport, water and energy infrastructure.
- Commit to using monies from the additional GST funds allocated to Western Australia on new land/housing operations rather than seek additional infrastructure contributions from industry.

4. Western Power

It has become increasingly obvious during this financial year that the State Government is not managing its responsibility to provide a reliable and efficient power supply to the community and is under-funding the Western Power Corporation.

This lack of funds has not only contributed to wide spread power blackouts throughout Western Australia's developed suburbs, it has also contributed to huge delays in the completion and energisation of new subdivisions.

Many buyers are experiencing lengthy delays of up to six months in the building process due to a lack of power supply to new subdivisions and we believe that this issue has the potential to become a serious problem for the State Government if it is not resolved. The State Government must address these

issues through appropriate funding mechanisms in order to increase the maintenance and investment in electricity infrastructure.

Budget expenditure should be directed to the following areas:

- The State Government must ensure that Western Power Corporation is attracting good quality staff by offering salary packages equivalent to the market rate.
- In relation to finding qualified staff, the government should consider attaining staff from overseas that have the appropriate qualifications and experience to deal with issues relating to large scale power supply.
- The State Government should be funding electrical infrastructure upgrades throughout Western Australia to ensure that infrastructure does not fall into disrepair.
- The State Government must ensure that Western Power has a big enough supply of materials needed to ensure the development industry can energise and complete new subdivisions in a timely manner.

5. Funding of other Government Agencies

It is imperative for the smooth and efficient operation of the urban development industry that approvals processes, particularly planning and environmental approvals are as streamlined and efficient as possible.

It is the opinion of the UDIA membership that the existing environmental approvals process is not as efficient as it needs to be. This is due to a number of issues, however one of the main contributing factors (in terms of the state budget) relates to the Department of Environment lacking both staff and resources to operate effectively.

UDIA therefore believes that:

- The State Government must allocate sufficient funds to its agencies so they can carry out consultation and approvals efficiently.
- This includes attaining appropriately qualified and experienced staff and increasing the funding of resources to carry out approvals.

6. Taxes and Charges

Western Australia's tax competitiveness has deteriorated significantly in recent years and reducing business tax levels to below the all-states average should be a key policy objective of the current Government.

In particular we believe that there is a need to maintain the health of the housing sector and ensure its ongoing positive impact on the Western Australian economy (particularly in the current climate of potential interest rate rises) by reducing and abolishing inefficient property taxes on both residential and commercial property transfers.

The recent allocation of additional GST revenue to WA provides a unique opportunity for the Government to achieve this objective.

UDIA believes that this can be achieved through this state budget by:

Stamp Duty

- Abolishing stamp duty on mortgages.
- Reducing stamp duty rates on property by an average of at least 15%.

Land Tax

- Abolishing land tax on residential rental property.
- Re-introducing the land tax concession for vacant residential land.

GST

- Honoring the State Government's commitment to abolish stamp duty on business transactions.
- Support the removal of GST from the sale of vacant land.

7. Skills and Training

The major skills shortages in areas such as surveying, engineering, urban and regional planning, and other trades are threatening Western Australia's current economic success.

The continued growth of the development industry is a major driver of our successful economy and therefore it is imperative that the Government address the lack of people available to fill vacant positions within the industry.

March labour force data has confirmed what Western Australian employers already knew: the state's labour market is at its tightest for 30 years.

There is therefore a need for this state budget to support opportunities to supply Western Australian industry with the skilled labour it requires and to enhance the human capital of WA workers.

In this regard UDIA recommends that:

- The State Government should allocate resources to actively promote the migration of skilled labour into WA, including arrangements that allow skilled migration to meet periods of high demand.
- Adequate resources are allocated to Education and Training and assistance schemes to help people obtain the skills to participate in the development industry.
- The Government considers offering incentives to industry to take on new apprentices.

8. Conclusion

UDIA requests that the State Government genuinely consider the proposals put forward in this submission.

The main areas of focus being:

- Provide essential infrastructure to new and existing residential communities.
- Use the recent 'GST windfall' on developing new and upgrading existing infrastructure.
- Allocate sufficient funding to Western Power Corporation.
- Allocate sufficient funds to its agencies, particularly the Department of Environment.
- Abolish unfair and inefficient taxes and charges, including stamp duty on mortgages and land tax on residential rental property.
- Reduce stamp duty rates on property by at least 15%.
- Address the skills shortage in Western Australia.

UDIA members contribute extensively to the Western Australian economy and on this basis we request the Government incorporate the above recommendations in its State Budget for 2005/06.