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Department of Environment, Land, Water & Planning
via email: rating.review@delwp.vic.gov.au

LOCAL GOVERNMENT RATING SYSTEMS REVIEW

Thank you for the opportunity to comment on the review of the 'Local Government Rating System'.

Overview

The Housing Industry Association (HIA) is Australia's peak residential building industry association. HIA members comprise a diversity of residential builders, including all Top 100 builders, all major building industry manufacturers and suppliers, as well as developers, small to medium builder members, contractors and consultants to the industry. In total HIA members construct over 85% of the nation's new housing stock.

HIA exists to service the businesses it represents, lobby for the best possible business environment for the building industry and to encourage a responsible and quality driven, affordable residential building and development industry. HIA is committed to working with all sectors of government to support a regulatory environment that facilitates growth in the economy, reduces red tape, and enables the delivery of affordable housing.

HIA Response

In 2018, the Victorian Government announced a commitment to review the 'Local Government Rating System' (the Rating System). Since this commitment was made, an independent panel has been appointed to review all components of the Rating System within Victoria. It is HIA's understanding that apart from the 'Fair Go Rates System' which was introduced in 2015, the overarching structure of the Rating System has not undergone any form of substantial change within the last century.

As detailed within the 'Local Government Rating System Review Discussion Paper', HIA understands and appreciates that there are some exclusions from this review, such as rate capping. The feedback provided within this response letter has been tailored to address matters which would be of primary interest to our members. Additionally, the feedback provided within this response letter does not seek to address the breadth of views of individual members, it provides some comment of a general nature.

The cost of building a new home in Victoria is very high. Taxes and regulatory costs add substantially to the cost of housing, including matter such as resource costs (the processes, materials and work that go into creating it), statutory taxes (GST, income taxes, stamp duties, etc.) and regulatory costs (cost increases that are created when government policies restrict the supply of land and housing

relative to demand). Such taxes and regulatory costs impact housing supply and housing affordability for the home buyer. In a recent report commissioned by HIA, the Centre for International Economics (CIE), found that as a share of the total outlay it is estimated that the regulatory costs, statutory taxes and excessive charges to acquire a new house and land package is 37 per cent in Melbourne. Analysis undertaken within the CIE indicates that an economy-wide model suggest that the majority of the increase in costs from the taxes and regulations will be borne by consumers. These exuberant costs must be taken into consideration as part of this review process.

The Discussion Paper and Terms of Reference discuss that 'fairness and equity' are central to this review process. Whilst in principle these overarching principles are understood and appreciated, the Victorian Government should be mindful that when dealing with such overarching principles, it should not head down a path which results in causing greater complexity or lack of certainty where it is difficult to achieve and ensure compliance.

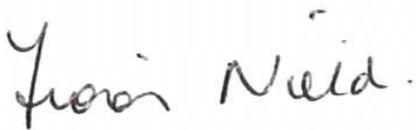
As raised within the Discussion Paper, within the current Rating System, prior to allocating rates to individual rateable properties, councils declare if they wish to use a uniform rate or differential rates. HIA considers it worth exploring the potential benefits of removing this option, and mandating differential rates as the only option for council. If this were to be further explored, clearly defined categorisation of land use classes must be established, prior to pursuing this in any capacity.

Furthermore, as raised previously, the overarching outcomes of seeking to achieve a fair and equitable system are understood. However, the Victorian Government must be cautious that no unintended consequences or uncertainty are resolved due to any proposed outcomes as part of this review process. Moreover, it is essential that any proposed outcome must display sufficient certainty as to why it is being further explored/ pursued.

Once again we thank you for the opportunity to contribute at this stage. HIA will watch with interest the outcomes of this review process and would be pleased to further contribute as this process progresses. Please do not hesitate to contact Teresa Davis – Planning Adviser on (03) 9280 8230 or t.davis@hia.com.au should you require anything further.

Yours sincerely

HOUSING INDUSTRY ASSOCIATION LIMITED

A handwritten signature in black ink that reads "Fiona Nield". The signature is written in a cursive, slightly slanted style.

Fiona Nield
Executive Director – Victoria