Initiatives for Canberra

Towards Canberra’s
Centenary and Beyond

A public discussion paper prepared by the Property Council of Australia April 2008
The Property Council of Australia is the national representative of the property industry. Our members help shape, build and finance our cities and have a long term interest in the future of our urban areas.

Locally our members include the bulk of Canberra’s investors in office buildings, shopping centres, industrial parks, tourism, accommodation, aged care and infrastructure, as well as major developers of commercial and residential property.

More than nine million Australians have a direct stake in our industry through their superannuation, life insurance and managed funds.

The property industry is a major employer in the ACT, provides the platform for business to operate and plays a vital role in underpinning new investment from interstate and overseas.

The property industry also represents a major component of the ACT economy, and makes a huge contribution to ACT Government revenue, providing 52.5 per cent of total taxation revenue.

The Property Council of Australia is affiliated with the following:

- Residential Development Council of Australia – the Property Council’s residential development leadership group
- Shopping Centre Council of Australia – the representative body of the shopping centre industry
- Capital Markets Roundtable – the Property Council’s international and capital markets division.
Initiatives for Canberra
Towards Canberra’s Centenary and Beyond
“I am keen to see what bright ideas emerge ... when passionate Canberrans come together in a spirit of good will and cooperation to jointly imagine our future”. Chief Minister, Jon Stanhope.

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In May 2006 the Property Council released its *Initiatives for Canberra* discussion paper in which we proposed a number of initiatives to be taken in areas we believe are important for the future growth and prosperity of Canberra.

Many of the issues we raised in 2006 are current today, and many of the issues have again been addressed in this paper.

The 2006 version of the *Initiatives for Canberra* paper included a scorecard with fifteen evaluation points for the ACT Government, ranging from the need for a population strategy, through to skills training programs, to the abolition of stamp duty on commercial leases.

While many of the scorecard items are retained in this document, several new initiatives have been added to reflect the changing realities of Canberra in 2008 and beyond.

Major elements of the update to the 2006 document include:

- the need for a robust and achievable population growth strategy in the ACT, partly to address our skills shortage;
- the pressing need for the ACT economy to diversify, becoming less reliant on Commonwealth spending;
- the need for infrastructure planning to become a top priority for the ACT Government;
- the need for a strong and consistent approach to improving housing affordability and availability;
- the need for the revitalisation of Canberra City and a significant improvement to the sustainability of our built environment;
- the need to address Canberra’s transport problems including parking in the city and town centres; and
- the need for consistent and complementary planning regimes for the Territory.

A major theme in this document is the need for the ACT Government to adopt an integrated approach to all its policy areas. An uncoordinated approach to the major issues that face the Territory is wasteful and risks duplication.

Delivery is also an important theme. The ACT Government has been effective at producing planning documents, but this has not always translated into action.

The Property Council looks forward to engaging with government on the issues this document raises.
Initiative One
The ACT Government to adopt, as part of a comprehensive economic and social development plan for the ACT, a steady target growth rate to achieve a population of 500,000 by 2030.

Scorecard
The ACT Government to develop a plan for population growth, as part of a comprehensive economic and social plan for the ACT, by December 2008.

Initiative Two
The ACT Government to combine and expand the Skilled and Business Migration Program and Live in Canberra campaign to increase scale and scope of both programs.

Scorecard
The ACT Government to establish a centralised unit within the Chief Minister’s Department, with a focus on attracting people to live and work in Canberra, by December 2008.

Initiative Three
The ACT Government to re-establish a demography unit within the Chief Minister’s Department, to provide strategic policy advice on a continuing basis to all areas of ACT administration, including input into an ACT population strategy and overall planning for Canberra.

Scorecard
The reinstatement of a demography unit within the Chief Minister’s Department by December 2008.

Initiative Four
Stamp duty, land tax and general rates to be reviewed and reduced to increase Canberra’s competitiveness to attract people and retain skills.

Scorecard
Tax policies and rates affecting Canberra’s relative affordability for housing reduced.

Initiative Five
The ACT Government to undertake a detailed planning review of available infill and Greenfield sites which can be released to provide additional housing stock.

Scorecard
ACT Government to identify and publish details about available land and sites which can be used to increase dwelling stock in both Greenfield and infill development by September 2008.

Initiative Six
The ACT Government to liaise with the Commonwealth Government to review building height limits in the city, town centres and group centres in order to improve densification of major centres and transport hubs.

Scorecard
ACT Government to adopt a policy which provides for height limits above RLU7 by September 2008.

Initiative Seven
The Commonwealth and ACT Governments to work together to develop an infrastructure plan for Canberra, identifying key priorities, by December 2008.

Scorecard
An infrastructure plan, including sequencing schedule, indicative project budgets and financing options, agreed and implemented by the Commonwealth and ACT Governments.

Initiative Eight
The ACT Government to examine the use of debt funding to finance key infrastructure projects and to develop, and make publicly available, guidelines for public-private partnerships.

Scorecard
Major infrastructure project committed to by 2010 using debt funding or private partnership funding.

Initiative Nine
The ACT Government to continue to support initiatives for securing Canberra’s water supply undertaken by ACTEW, and encourage their prompt conclusion.

Scorecard
Sufficient water storage capacity and guaranteed water supply to support a population of 500,000 people achieved by 2010.

Initiative Ten
The Sustainable Transport Plan to be revised, updated and re-released as an Integrated Sustainable Transport Plan that includes all modes of transport and takes into account the current and future needs of the city within the framework of the Population and Infrastructure Strategies.

The ACT Government to release sites in Civic, the town centres and major employment centres for structured car parking, including locations suitable for ‘park and ride’, bus and bicycle interchange options.

Scorecard
First sites for permanent car parking structures released by September 2008.
Initiative Eleven
The ACT Government to work together with the Commonwealth Government to introduce equitable pricing for car parking throughout the Territory, including in the Barton/Parkes area and at Russell Hill.

Scorecard
Introduction of equitable and sustainable car parking throughout the Territory by September 2008.

Initiative Twelve
The ACT Government, as part of its population strategy, to identify sites within the Territory for increased population density and infill development in key locations.

Scorecard
The ACT Government includes areas targeted for higher population density in its economic and social plan for the ACT. First sites released by early 2009.

Initiative Thirteen
The ACT Government to:
- identify sites for increased height limits in the Territory
- adopt planning policies to allow for increased height limits in key locations around Civic and the town centres; and
- liaise with the Commonwealth Government to allow for heights to be raised in these areas.

Scorecard
The ACT Government to seek cooperative agreement with the Commonwealth Government to raised height limits, above RIL617, in key locations by December 2008.

Initiative Fourteen
The ACT Government to release land for construction of additional residential apartments in Civic and the town centres, with first sites released in early 2009.

Scorecard
First sites released by early 2009.

Initiative Fifteen
The ACT Government to identify sites and finalise planning for industrial land release by September 2008.

Scorecard
Industrial sites released by September 2008.

Initiative Sixteen
The ACT Government to investigate opportunities for further development and diversification of Canberra’s economy, including an examination of specific policies, grant programs or tax changes that could be adopted to encourage development and diversification of the Territory’s economy.

Scorecard
The 2008-09 ACT Budget to include funding measures for economic development and infrastructure initiatives.

Initiative Seventeen
The ACT Government to examine its tax and other policy settings and identify options for increasing Canberra’s attractiveness and competitiveness as an investment destination.

Scorecard
The 2008-09 Budget includes:
- the abolition of Fire Services Emergency Levy; and
- a commitment to a staged reduction in the top rate of stamp duty on property transfers.

Initiative Eighteen
Section 298A of the Planning and Development Act 2007, which introduces a statutory formula for assessing the cost of obtaining an extension which has increased from a nominal figure to five times to annual rates payable on a Crown lease, and Section 298B which imposed a 3 year cap on extensions of Crown lease development times, should be removed as a matter of urgency.

Scorecard
Section 298A and Section 298B of the Planning and Development Act 2007 to be removed as part of the 2008-09 Budget.

Initiative Nineteen
The ACT Government to revise its budget forecasting models to improve accuracy of revenue forecasts and aim to deliver a modest budget surplus over the medium term.

Scorecard
The 2008-09 Budget delivers a modest budget surplus, and its forecast position does not vary dramatically in either the mid year review or final year outcome.

Initiative Twenty
The ACT Government to engage with stakeholders to develop a plan, including a design framework, for rejuvenation of the mid-city precinct.

Scorecard
Rejuvenation of the mid-city precinct, incorporating the Sydney and Melbourne buildings, complete by 2013.

Initiative Twenty-One
Demographic data sets collected by the ACT Government and used to benchmark against current and future dwelling stock demand to ensure supply side measures are put in place.

Scorecard
Sufficient land released to meet the city’s population targets.

Initiative Twenty-Two
The ACT Government to publish its forward program for commercial land release over the next five year period to 2013.

Scorecard
A forward program for commercial land release published by June 2008.

Initiative Twenty-Three
The ACT Government to lobby the Commonwealth Government to restore funding to the National Capital Authority in recognition of its nation’s significant role it plays in the development of our nation’s capital.

Scorecard
Funding to the National Capital Authority in restored, and a formal framework established to enable co-operation between the Commonwealth and ACT Governments.

Initiative Twenty-Four
The ACT Government to offer a range of incentives to encourage the uptake of environmentally sustainable design principles in Canberra’s buildings.

Scorecard
A suite of incentives, including funding details, are announced by September 2008.
In 2008, the ACT still faces many of the same problems identified two years ago, and the ‘borrowed time’ the Chief Minister identified, is still running out.
When the Property Council first released its *Initiatives for Canberra* discussion paper in May 2006, we said that Canberra was at a critical juncture and the time to move from rhetoric to action was at hand. The Chief Minister, Jon Stanhope, seemed to be of the same view stating, in relation to the identification of a series of structural weaknesses in the Territory, that: “As a community we have been living on borrowed time and it is now running out”.¹ He called on the community to debate its future and it was in that spirit that the Property Council produced its discussion paper.

In 2008, the ACT still faces many of the same problems identified two years ago, and the ‘borrowed time’ the Chief Minister identified, is still running out.

We live in a city that ranks at the top of the nation in terms of disposable income; we have some of Australia’s best educational facilities and a populace that is the most educated in the country; we are host to some of Australia’s most significant cultural, social and political institutions; and we are a tolerant and aware society. Yet, despite the many strengths Canberra can rightly claim, it is still a city with problems and tremendous unmet potential.

The economy, population growth, skills shortage, housing availability and affordability, the environment, and the need for an infrastructure plan are not just potential difficulties to face in the future. These are existing problems we must deal with now.

Canberra’s centenary is five years away, and there is good reason to be proud of what has been achieved so far. The centenary is an appropriate time to reflect on that achievement and to recommit ourselves to that which can and should be achieved in the next 100 years.

The Chief Minister, in calling for Canberrans to take part in the ACT Government’s 2020 summit in March 2008, ahead of the Commonwealth 2020 initiative in April, again invited people to share ideas that could be pursued in Canberra, saying: “I am keen to see what bright ideas emerge … when passionate Canberrans come together in a spirit of good will and cooperation to jointly imagine our future”.²

Like its 2006 predecessor, this document has been written by an organisation which represents passionate Canberrans; to prompt debate and to precipitate action in a range of areas believed by the Property Council and its members to be most important. It is issued by an organisation which represents Canberra citizens, all with a strong interest in seeing this city grow and prosper, and all willing to work with government to ensure that Canberra meets its full potential as one of the great cities of the world.

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Chapter 1
Population and Skills
The key to Canberra’s future prosperity is a growing population.

A population that continues to grow at a steady and sustainable rate is the most effective way of ensuring that the economy experiences real growth and that skilled people are available to meet employment demand, which in turn increases the capacity of the economy to grow further.

The skills crisis experienced by Canberra and the rest of the country is evidence enough of the impact a low population can have on an economy.

There is a clear and compelling need for a population strategy which includes target growth rates and integrates existing efforts with new, specific purpose policy. Importantly, the growth targets need to be set higher than the average growth rates experienced by Canberra for much of the last decade, in order to meet those policy objectives which form part of the population strategy (such as making the city more cost effective to run and maintain).

Unless there is a steady increase in the number of people available to gain relevant skills and meet the demand for employees, Canberra’s economy will not be able to grow and will eventually stagnate. This will have significant flow-on effects to the ACT Budget which relies heavily on growth in the economy to sustain increasing revenue lines.

There is probably no more important task for the ACT Government than to ensure that conditions are right for the city to grow, and to aggressively pursue that outcome through direct and indirect policy efforts.
1.1 The Need for a Population Growth Target

The Property Council has historically supported a target population of 500,000 for the ACT and region. This figure, consistent with the ACT Government’s Canberra Plan, reflects the view that Canberra’s economy relies in large part, on a growing population. While by no means representing a limit or cap on population growth, the figure nonetheless acts as a reasonable target for planning purposes.

The most recent data from the Australian Bureau of Statistics indicates that Canberra’s population was 340,300 at the end of the September Quarter 2007. This is an increase of 5200 or 1.5 per cent over the previous year. This is a marked improvement from the position in 2006 when the population was growing at just 0.3 per annum, representing a net increase of 1000 people per year.

The task for the ACT Government is to ensure that the recent figures do not become an aberration and that the strong and steady growth becomes a feature of Canberra for the foreseeable future.

While the Property Council still supports a population target of 500,000 by 2030, it has become clear that the more important goal with respect to population is achieving a constant rate of population growth every year.

A rate of growth which is too rapid will place unnecessary pressure on resources and make forward planning exceedingly difficult.

The Property Council believes that the ACT Government should, as part of a comprehensive economic and social development plan for the ACT, include and plan for a steady target population growth rate of 1.75 per cent a year to be maintained to ensure that the economy increases its capacity to grow over the long term.

This target should be accepted as a government-wide planning principle.

Initiative One

The ACT Government to adopt, as part of a comprehensive economic and social development plan for the ACT, a steady target growth rate to achieve a population of 500,000 by 2030.

Scorecard

The ACT Government to develop a plan for population growth, as part of a comprehensive economic and social plan for the ACT, by December 2008.

An overall population target is a worthy goal, and one in which government should work to ensure is reached, but it can be counterproductive for a city and an economy if that target is reached too soon. A rate of growth which is too rapid will place unnecessary pressure on resources and make forward planning exceedingly difficult.

The Property Council believes that the ACT Government should, as part of a comprehensive economic and social development plan for the ACT, include and plan for a steady target population growth rate of 1.75 per cent a year to be maintained to ensure that the economy increases its capacity to grow over the long term.

This target should be accepted as a government-wide planning principle.

1.2 The Skills Dimension

The drastic shortage of skilled employees currently being experienced in Canberra needs to be seen for what it is – a shortage of people rather than simply a shortage of skilled people. Our economy has reached its capacity, and finding suitable employees has become a very competitive process. The competition between employers is exacerbated by competition between cities, states, regions and nations for appropriately skilled people.

The Property Council believes that Canberra’s skills shortage is one very serious manifestation of this broader problem – a shortage of population.

Every business sector, including the construction industry, is suffering from a shortage of workers. A large number of construction workers currently employed in Canberra, for example, actually live outside our borders and have been brought in to fill the demand created by the recent construction boom. This situation (living outside Canberra) is reflected across a wide range of skills and occupations including IT communication, accounting, teaching, the medical profession, retail, hospitality, planning, and even within the ranks of the Commonwealth public service.

Current efforts, such as the Skilled and Business Migration Program and the Live in Canberra campaign, to attract people to Canberra are valuable initiatives and have generated real results. However, these programs operate on a relatively small scale and will not, by themselves, fill the gaps in the city’s skill base, nor will they provide enough extra population to reach the desired targets.

The major and fundamental issues, such as housing affordability and availability, that act as barriers to greater immigration and retention of people will not be overcome or significantly ameliorated by small-scale initiatives, no matter how successful they are.

The ACT Government should review these two initiatives and identify opportunities for applying resources to increase the scale and scope of both efforts. Opportunities for augmentation of these programs with new initiatives should also be examined. This should be done in conjunction with a major effort to address the barriers to greater population growth in the Territory.

Initiative Two

The ACT Government to combine and expand the Skilled and Business Migration Program and Live in Canberra campaign to increase scale and scope of both programs.

Scorecard

The ACT Government to establish a centralised unit within the Chief Minister’s Department, with a focus on attracting people to live and work in Canberra, by December 2008.

The drastic shortage of skilled employees currently being experienced in Canberra needs to be seen for what it is – a shortage of people rather than a shortage of skilled people.
1.3 An Integrated Policy Approach

While the ACT Government has commenced efforts to attract skilled workers to Canberra, the scale of this effort is small and operates separately from the rest of government. An integrated, whole-of-government approach is needed to ensure that any effort to attract and retain people to the ACT is focused and effective.

A population growth target will considerably increase the focus of ACT Government efforts to attract and retain a skilled workforce. This target will remain unambiguous and performance can be readily measured against it – an initiative which should, in turn, increase government accountability for meeting the target.

The Live in Canberra campaign and the Skilled and Business Migration program would operate more effectively if they were component parts of an overall strategy which used the population target as its overall objective.

A special demography unit within the Chief Minister’s Department should be re-established to develop and oversee the implementation of the population strategy, and to provide the ACT Government with a robust statistical basis for forward planning. This unit should report directly to the Chief Minister through his Chief Executive and should be responsible for coordinating the various arms of government required to provide input into the creation and implementation of government policy objectives.

More specifically, the unit would engage with the ACT Planning and Land Authority, the Land Development Agency and Treasury to amend and align policy objectives in the areas of population dynamics and forecasts, residential dwelling activity and urban land supply. Work done by the demography unit would also be used to inform tax rate setting and business attraction strategies, to positively affect Canberra’s competitiveness as a place to live and work.

It is also vital that the ACT Government engage with the Commonwealth on this issue. Given the very significant impacts that Commonwealth Government decision making has on the ACT economy, the need to work closely with the Commonwealth on matters of employment and planning is obvious.

Until the ACT Government adopts a coordinated approach to planning and to removing the barriers that stand between the development of a vibrant, robust and growing economy, Canberra will remain uncompetitive and will suffer the inevitable consequences of inaction.

A special demography unit within the Chief Minister’s Department should be re-established to develop and oversee the implementation of the population strategy, and to provide the ACT Government with a robust statistical basis for forward planning.
1.4 The Holy Grail – Housing Affordability and Availability

Canberra needs to compete in order to attract and retain people, and the affordability and availability of housing is a vital component of the city’s relative attractiveness.

For much of the last decade, the cost of housing in Canberra has increased markedly, while availability has reduced, despite the construction of a large number of new dwellings, including multi-unit residential. Changing household composition and structure, the unusually high number of transient workers, and demographic shifts have all added to the problem.

Current research undertaken by the Real Estate Institute of Australia (REIA) indicates that the affordability issue is worsening. In their report on prices for the December 07 quarter, it was noted that the Reserve Bank of Australia has indicated that further interest rates may be expected, and home buyers should brace themselves for a further deterioration in affordability.5

The following table charts the Home Loan Affordability Index (HLAI) for the ACT over the last three years. A reduction in the HLAI denotes worsening affordability. The ACT’s overall HLAI fell by 2.1 per cent over the quarter to December 2007, and 6.7 per cent since the 2006 December Quarter. The proportion of income required to meet rental payments also increased by 0.5 per cent over the quarter and 1.1 per cent over the year.6

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Figure 2 ACT Home Loan Affordability Index

Initiative Four

Stamp duty, land tax and general rates to be reviewed and reduced to increase Canberra’s competitiveness to attract people and retain skills.

Scorecard

Tax policies and rates affecting Canberra’s relative affordability for housing reduced.
Dwelling stock needs to be increased across all residential types if Canberra is to meet the range of needs of both its current and prospective residents, now and into the future.

**Initiative Five**

The ACT Government to undertake a detailed planning review of available infill and Greenfield sites which can be released to provide additional housing stock.

**Scorecard**

ACT Government to identify and publish details about available land and sites which can be used to increase dwelling stock in both Greenfield and infill development by September 2008.
Canberra is currently the third most expensive city in which to buy a house, after Sydney and Perth. According to the REIA report, house prices had risen 15.8 per cent over 2007, and 2.8 per cent between September and December to $457,500. Other dwelling prices rose 2.3 per cent over the same quarter to $360,000.

All this has consequences for Canberra’s economy. Until housing affordability and availability is improved, the ACT will continue to struggle to attract and retain people.

In April 2007 the ACT Government released its Affordable Housing Action Plan, with a commitment to addressing housing affordability problems in the ACT. The initiatives in this area are welcome; particularly the ACT Government’s efforts to accelerate the supply of Greenfield land for residential development, the streamlining of land release and approval process, and the introduction of englobo land releases (see Section 4.3 Land Release in this paper).

This represents a noticeable improvement over the last 12 months. However, the level of land release is still too small to improve Canberra’s competitiveness as a place to live and work. It is time for a concentrated effort to release more residential blocks and to increase the supply of infill housing in established areas as well as continuing to encourage greater housing density close to where people work and to major transport corridors.

Dwelling stock needs to be increased across all residential types if Canberra is to meet the range of needs of both its current and prospective residents, now and into the future. In addition to large scale land release, the ACT Government should also improve its densification policies by liaising with the Commonwealth Government to lift height limits beyond the current RL617 height limit.

Increasing land release is, however, only one part of the housing affordability equation. The ACT Government should also review tax policy as it is applied to residential housing.

Stamp duty, land tax and rates need review and targeted reductions to encourage and attract investment in housing and provide the one certain and tangible way for the ACT Government to reduce the cost of an ACT home.

The ACT Government’s Skills Commission has already acknowledged that tax settings can and should be used to attract and retain people in the Territory, when it recommended targeted stamp duty deferrals or concessions for potential immigrants. More work needs to be undertaken in this area to review whole-of-government policies on tax and tax reform as it relates to home purchase. Research commissioned by the Residential Development Council has already shown that the quantum of taxes, charges and levies on homes have substantially escalated the housing affordability crisis.

Scorecard

ACT Government to adopt a policy which provides for height limits above RL617 by September 2008.

Initiative Six

The ACT Government to liaise with the Commonwealth Government to review building height limits in the city, town centres and group centres in order to improve densification of major centres and transport hubs.

Chapter 2

Infrastructure to Support Canberra's Future
The Property Council regards infrastructure as a critical policy issue for government at all levels across Australia. Not only does infrastructure represent a substantial share of the economy, but it also plays an essential role in supporting nearly all aspects of society’s operation. We believe that the key to Canberra’s economic, social and spatial development is an effective, integrated 20-year infrastructure strategy, together with a program for annual delivery of infrastructure and tied to the ACT’s population target program.

In our 2006 Initiatives for Canberra paper, the Property Council quoted a report from Engineers Australia pointing out that much of the ACT’s infrastructure was aging or nearing the end of its economic and physical life, and that there was no visible, coherent plan to support replacement and renewal costs. In 2008 there is still no plan.

The ACT needs an infrastructure plan. It should provide a statutory framework to sustainably manage growth and change in the Territory. It should set up processes to ensure implementation from the ground up, with relevant timeframes and budgets to ensure timely delivery. It should include a range of implementation and review processes, define the ACT’s land use pattern and desired outcomes, and establish priorities for infrastructure investment across the Territory.

It should include a strategy for procuring the necessary skilled personnel for success, incorporating training initiatives where needed. It should be updated every year to reflect new developments. Options for funding should be evaluated objectively and include, where appropriate, borrowings and public-private partnerships as potential alternatives to the application of additional levies, taxes or fees.

Even though the ACT occupies a relatively small geographic area, our low population density raises the cost of maintaining our infrastructure on a per capita basis. Canberra’s road network is under significant and increasing pressure. While the full completion of projects such as the Gungahlin Drive Extension will be welcome for many motorists, there are also other areas of considerable need.

The traffic bottlenecks which have existed for some time around Canberra International Airport were identified in the Property Council’s 2006 paper, and have only recently been addressed by the commencement of upgrades to the road network. An effective strategy with its accompanying coherent infrastructure program would have identified and dealt with the congestion before it grew into a major problem.

The ACT Government, in consultation with the Commonwealth, should conduct a full audit of the city’s infrastructure and identify areas of current and future need, including ongoing maintenance and allowing for targeted population growth. The audit should then be used as a basis for an ACT Infrastructure Strategy, which would become government policy, to be implemented over a 20-year forward planning program.

As we stated in 2006, the plan should:
- outline priorities and key projects;
- spell out delivery timeframes; and
- detail how projects will be funded.

The Property Council will soon release an infrastructure priorities study, to assist the Commonwealth and ACT Governments to develop an infrastructure strategy and roll-out program for the Territory.

### Initiative Seven

The Commonwealth and ACT Governments to work together to develop an infrastructure plan for Canberra, identifying key priorities, by December 2008.

### Scorecard

An infrastructure plan, including sequencing schedule, indicative project budgets and financing options, agreed and implemented by the Commonwealth and ACT Governments.
2.1 Infrastructure Funding

As the Property Council pointed out in its 2006 *Initiatives for Canberra* paper, infrastructure is expensive so the ACT Government needs to be innovative when planning to deliver it, and open to all practical alternatives.

The Property Council strongly supports the concept of borrowings by governments to meet the cost of long term infrastructure. Future generations will receive the benefit of new infrastructure and infrastructure upgrades, so it is fair to spread the cost over the life of the infrastructure.

There are a number of methods of funding infrastructure, including government debt; taxes; and user charges.

Landmark research by the Allen Consulting Group, commissioned by the Property Council, shows that debt funding is the most efficient way for governments to invest in infrastructure without impacting credit ratings or interest rates. Strikingly, this research shows that the way governments fund infrastructure affects our overall economic welfare. Using the wrong method can cost thousands of jobs and millions of dollars in lost economic growth.

This research was reported in the Property Council’s 2006 *Initiatives for Canberra* paper, and its findings are still just as relevant today.

Debt is the best way to fund infrastructure, because infrastructure is delivered up front, with the cost spread over time and across the population.

There remain strong intergenerational arguments to support government borrowing to deliver infrastructure up front and spread its cost across time. Borrowing for capital works buys a community investment, and its cost is shared by the generations of users who benefit from it. Given the very long life of infrastructure, this intergenerational effect is well recognised by economists as being extremely efficient and fair.

Public-private partnerships run a close second. Debt is the best way to fund infrastructure because infrastructure is delivered up front, and spread over time and across the population.

In 2008, the ACT Government has the capacity to invest in infrastructure using government debt without impacting its AAA credit rating.

The Property Council again urges the ACT Government to consider debt funding and public-private partnerships as part of a suite of funding options to accelerate the delivery of key infrastructure projects and to deliver better value for money.

**Initiative Eight**

The ACT Government to examine the use of debt funding to finance key infrastructure projects and to develop, and make publicly available, guidelines for public-private partnerships.

**Scorecard**

Major infrastructure project committed to by 2010 using debt funding or private partnership funding.

2.2 ACT Water Management

The recent drought and the new reality of permanent water restrictions have put water supply at the forefront of our national consciousness. When Brisbane is at Level 6 restrictions and Australian towns are holding plebiscites on whether to drink recycled water, it is clear that water is now a critically important feature of municipal, regional, and indeed national, forward planning.

The effects of global warming and climate change may mean that the recent very dry weather in Australia becomes the norm rather than a relatively irregular event. This will place enormous pressure on Canberra’s infrastructure requirements and the need for change in terms of community habits and mindsets.

The Property Council believes however that the challenge of an adequate water supply for Canberra is one of water storage capacity rather than a shortage of water.

ACTEW’s Future Water Options paper, released in 2005, stated that the ACT had enough water for a million people, even with the high current level of environmental water releases from dams.11

The ACT Government’s latest paper Next Steps to Water Security for the ACT Region admits “more than adequate volumes of water fall in, and flow through the ACT in average terms … The issue is to have an adequate supply to tide us over during periods of drought”.12

In other words, lack of water storage is the problem, not rainfall.

The ACT Government, following a period of investigation decided to:

- immediately commence detailed planning and design work for construction of an enlarged Cotter Dam from its current capacity of 4 gigalitres (GL) to 78 (GL);
- add to the current capacity to extract water from the Murrumbidgee River via pumping capacity for transfer to the Googong Reservoir. This project could also be used to transfer additional flows released from Tantangara Dam if such flows become available;
- pursue the possibility of purchasing water from Tantangara Dam;
- design a demonstration water purification plant.

In addition, the ACT Government has decided to:

- increase funding for water demand reduction measures;
- investigate the extension of permanent water conservation measures; and
- implement a pilot Smart Metering program.13

Given the enlargement of the storage capacity, the Property Council would continue to urge the ACT Government to avoid mandatory measures such as rainwater tanks or grey-water systems in new housing as this will have clear impacts on the cost of new homes at a time when affordability is already at record lows.

A far cheaper option would be for the ACT Government to construct the expansion of the Cotter Dam utilising debt funding.

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2.3 Transport

For a broad range of reasons, including the fact that Canberra has a relatively low population spread across a wide geographic area, Canberrans are highly car-dependent.

In a submission provided to the ACT Legislative Assembly Standing Committee on Planning and Environment’s Inquiry into ACTION Buses, the ACT Government noted that the current level of car use for trips to work is around 87 per cent.14

Despite the targets for increasing non-car usage in the Sustainable Transport Plan published in 2004, the current level of car trips indicates that, to date, no modal shift has occurred.

Public transport in the ACT is in trouble. The bus network is inefficient and subject to almost constant criticism. Passenger numbers remain considerably lower than the targets in the Sustainable Transport Plan, while the level of subsidy to ACTION buses by government (currently just over $60 million per annum and forecast to rise) remains onerous.15

Various transport alternatives have been proposed, including a light rail system for Canberra. But cost estimates range from $1 billion and upwards, no real funding proposal has been put forward, and even if a light rail service provided access between the major town centres and employment nodes, there is currently no evidence to suggest that, on its own, it may be any more successful than the current bus system.

What is needed is an integrated transport planning approach which should include at least:

- **Regional Perspective:** a clear regional long-term perspective on transportation mode to and from the ACT: by air, train, truck, bus, car and even bicycle; including forecasting of volumes, capacity, shift between modes as well as linkages to industries and services and interdependencies with neighbouring NSW shires;

- **Urban Transport Corridors:** transport oriented planning between Civic and the town centres which allows for train or light rail corridors beside freeways and bus lanes. However this will only be successful if: entry/exit points are linked to adequate transit parking and transfers to bicycle and foot paths; and it is coordinated with urban land use and density planning; and

- **Local Transport and Transit:** it is at the local level where bus transport is most effective to provide connections to schools, shops, local centres and the nearest transport hub with park and ride facilities for cars and bikes. Passenger numbers will not significantly increase until the quality of the transport network itself increases. Attempting to force people onto buses by ignoring the need for road infrastructure or adequate car parking is simply bad public policy.

The ACT Government’s Sustainable Transport Plan needs urgent review and should be updated to take into account Canberra’s recent and future growth, and to include all modes of travel, including cars (and car parking), buses, cycling and walking.

Fixing Canberra’s Ailing Public Transport System

The Property Council has identified a number of key issues currently increasing the gap between transport planning and its effective implementation:

- increased car usage due to a lack of positive incentives and the absence of any linkage between car and bus transport to meet modern urban living conditions;

- the need to provide better car parking closely linked to public transport, park and ride, bus stops, and flexible and frequent bus services in and near town centres. This will create a greater shift to public transport than reducing car parking;

- the need to develop a framework of creative and positive incentives, for both car and public transport users, to offer comparable and competitive choice for the public; and

- the need for increased, and informed, public debate and awareness about ACTION’s triple bottom line approach, marketing the increased environmental, social and economic benefits to the Territory and its citizens.

It is clear that the ACT needs a broader and more integrated approach across infrastructure and transport, to provide incentives to car users to get them to make the change to public transport.
Car Parking

Parking is another example of a lack of forward planning. One need only look at the amount of overflow parking in the area adjacent to the Futsal Slab to understand the current parking problems in Canberra.

Thousands of car spaces have been replaced by large commercial and residential buildings which increase the number of people in the city while significantly reducing the number of parking spaces available.

It is becoming clear that there will soon be no unstructured parking in the CBD aside from street parking. It is therefore vital that government ensure that sufficient parking is provided as the remaining open spaces are developed over the next two to three years.

Government car parking prices will need to be adjusted, as part of the Sustainable Transport Plan, to encourage the construction of more private car parking facilities in the ACT.

There also needs to be an equitable treatment of car parking costs applied across all employment areas. The continued refusal of the Commonwealth Government to introduce paid parking in the Barton/Parkes area and at Russell Hill distorts employment location activities and does little to encourage alternative transport uses.

As pointed out in the Draft ACT Car Parking Strategy, daily car parking fees must rise to around $14 per day to make structured car parks viable for the private sector. Current prices range from between $7.50 per day in Civic down to $3.60 in Manuka, Kingston and Dickson. It is unreasonable to believe that the private sector will fund new car parks unless prices increase significantly or government provides other incentives for private developers to build new car parks.

The Property Council agrees with the ACT Government’s cost estimate of around $14 per day as a discussion basis for privately operated car parks. The current low price for car parking is comparable to an all day bus pass, and will continue to inhibit the modal shift to public transport.

Other government-funded parking discounts should also be phased out as they distort any proposed pricing strategy. Only with a clear and consistent pricing strategy that raises car parking fees in a consistent and equitable manner, while retaining and enhancing convenient public transport services, can the modal shift be effectively supported. The Property Council and its members offer their input in this process.

Current and future parking requirements in Civic and the town centres should be assessed and included in the updated Sustainable Transport Plan.

Many local centres are also facing parking difficulties. The O’Connor, Ainslie and Yarralumla shops provide just a few examples of areas with significant parking shortfalls, which in turn have a significant impact on ease of access to these locations, and their ability to compete with the town centres.

Government car park pricing also needs to be adjusted. The inequity in the cost of parking in Canberra is distorting office and employment location in the ACT. On-street parking in the Barton/Parkes and Russell Hill areas is currently free. The Property Council believes that parking in these locations should be charged at the same rates as in Civic and the town centres and that the ACT Government should continue to pursue this matter with the Commonwealth.

Initiative Ten
The Sustainable Transport Plan to be revised, updated and re-released as an Integrated Sustainable Transport Plan that includes all modes of transport and takes into account the current and future needs of the city within the framework of the Population and Infrastructure Strategies.

The ACT Government to release sites in Civic, the town centres and major employment centres for structured car parking, including locations suitable for “park and ride”, bus and bicycle interchange options.

Scorecard

First sites for permanent car parking structures released by September 2008.

Initiative Eleven
The ACT Government to work together with the Commonwealth Government to introduce equitable pricing for car parking throughout the Territory, including in the Barton/Parkes area and at Russell Hill.

Scorecard
Introduction of equitable and sustainable car parking pricing throughout the Territory by September 2008.
Canberra’s sparse population and relatively low density has its economic disadvantages. The per capita cost of transport infrastructure in the Territory, for example, is higher. A higher population density has the potential to provide significant economic benefits for the Territory.

Initiative Twelve
The ACT Government, as part of its population strategy, to identify sites within the Territory for increased population density and infill development in key locations.

Scorecard
The ACT Government includes areas targeted for higher population density in its economic and social plan for the ACT.
First sites released by early 2009.
2.4 The City Footprint

Canberra’s sparse population and relatively low density has its economic disadvantages. The per capita cost of transport infrastructure in the Territory, for example, is higher. A higher population density has the potential to provide significant economic benefits for the Territory.

To achieve greater cost efficiencies, the ACT Government should aim to increase the population density of Canberra in key locations. The construction of large multi-unit residential developments in established centres such as Kingston, Civic, Belconnen and Woden is a welcome move in the right direction, and the Property Council believes this trend should continue there and also, where possible, around group centres. Increased transportation through these nodes should be linked to increased availability of the transport network across all residential areas (including Greenfield) and should work to link up Canberra as a whole.

The Property Council supports high density infill housing options as well as traditional suburban growth models. Consumers are entitled to housing choice in terms of housing type and location. To meet the needs and aspirations of all ACT residents and potential residents with an adequate and diverse range of housing options, Greenfield sites must be opened up and significant infill programs, policies and incentives introduced to increase urban density in key locations.

Accordingly, we also recommend continued work towards the early release of residential land in the Molonglo Valley and detailed planning in Kowen to ensure the timely provision of much-needed Greenfield residential development, and access to key infrastructure including transport. We recommend that these land releases should be integrated with transport infrastructure planning to ensure that adequate north-south and east-west road systems are able to cope at peak periods with extra need.

The ACT Government’s recent initiative to retain A10 residential zoning in Residential Core Areas, while clarifying the conditions about the number of dwellings that can be built on a standard residential block is another welcome step, striking a reasonable balance between concerns raised by the community and the need for greater density in the inner suburbs.

Land is one of the Territory’s very few assets, and its value rises with the potential amount of development it can hold. taller buildings mean additional sales revenue for the ACT Government as well as increased rates and land tax revenues. The Property Council believes that the potential for policies which improve growth in the ACT are closely tied to the Canberra Plan and future population forecasts.

Recent relaxation of regulations to allow the increase in the height restriction recognises this fact. For example, the move to increase heights from six to eight stories and the allowance for landmark buildings on certain sites to be 13-14 stories high for commercial buildings and 18 for residential, has been a welcome National Capital Authority initiative and will greatly encourage increasing urban density.

Our diverse population needs larger homes for families as well as convenient urban housing, and any complete range of living options should include green, leafy suburbs as well as vibrant city precincts. The Property Council believes the Canberra Spatial Plan needs to be updated and applied, to identify all appropriate infill and new Greenfield sites, and to ensure that a full range of housing types are available to satisfy all sectors of the market.
Chapter 3
Getting the Economy on the Right Track
By most standard measures, the ACT economy has been performing well over recent years. Unemployment is at record lows and at least anecdotally, general activity in the city has rarely been as intense. However, a growing economy does not necessarily mean the economy is well positioned to be resilient during the hard times.

Despite the relatively high levels of economic growth Canberra has been experiencing in recent years, this has masked a particularly sensitive and fragile economy. In large part, Canberra’s economy is at the mercy of the Commonwealth Government and its spending patterns. Indeed, it is true to say that the recent economic growth seen in the ACT is largely the result of a consistently high level of Commonwealth spending over the last few years.

Clearly our reliance on the Commonwealth Government is still at unhealthy levels and every effort must be made to encourage and if necessary, incentivise, the diversification of Canberra’s economic base. There will be no better way to future proof the ACT economy than to ensure it is diverse and can thrive more independently of the actions of the Commonwealth.

The ACT Government does have the means at its disposal to encourage this diversification and given the natural advantages Canberra has in terms of the fundamentals required for new businesses and ideas such as a smart workforce, clearly there is ample opportunity for the ACT Government to exploit that advantage.

3.1 Diversification is a Must
Canberra’s economy is still far too dependent on public sector spending and while that has led to some growth in the private sector through outsourcing, the origin of that private sector expansion has still been Commonwealth spending.

The nation’s capital will always be reliant to a large degree on Commonwealth spending, however that does not mean that Canberra shouldn’t strive to carve out a niche in an industry sector that is not so reliant on the public sector.

The Property Council believes the abolition of the ACT Department of Economic Development and the subsequent removal of its functions was a backward step and calls on the ACT Government to properly resource a dedicated economic development unit within its administration.

Programs such as the now abandoned Knowledge Fund, for example, were integral in providing much needed funding at a key point in the life cycle of start up businesses. Indeed, the list of companies that benefited from these grants is as impressive as the products and intellectual property they generated.

It would be unwise to underestimate the value of these programs, and the ACT Government should seek to reintroduce targeted government initiated economic development and business support programs.

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The ACT’s Gross State Product increased by 5 per cent in 2006-07. 34 per cent of that growth came from Government, Administration and Defence. The next highest, 14 per cent came from property and business services.  

Government administration and defence account for 26.7 per cent of the ACT’s economy, followed by property and business services (12.7 per cent). Together, these sectors dominate the economy and fluctuations in these sectors are the main drivers of the Territory’s welfare.

The ACT will always be a service based economy and there will always be a large percentage of our economic activity that relies on the needs and actions of the Commonwealth Government; however the ACT Government needs to do more to encourage the continued diversification of the economy so we can develop and grow on our own.

Canberra needs an economy which is resilient to changes in Commonwealth Government policies and property market cycles. Making this happen requires ACT Government policies targeted at driving private sector growth.

As part of the diversification of the ACT economy, and as an example of a major business growth opportunity for Canberra, opportunities for industrial and ‘big box’ type developments should be explored. Opportunities for these types of developments have been limited in recent years, partly because of the high cost of land in the ACT compared with land in NSW. It is noted that fully serviced land is available in regional centres close to the ACT, such as Goulburn, for between a quarter to a third of ACT industrial values as a result of supply shortages.

This large price differential has limited the scope for distribution type activity in the ACT. The ACT Government needs to commence, and finalise within a short timeframe, planning for significant parcels of industrial land to be released in suitable locations such as Hume.

**Initiative Sixteen**

The ACT Government to investigate opportunities for further development and diversification of Canberra’s economy, including an examination of specific policies, grant programs or tax changes that could be adopted to encourage development and diversification of the Territory’s economy.

**Scorecard**

The 2008-09 ACT Budget to include funding measures for economic development and infrastructure initiatives.
3.2 Canberra as an Investment Destination

While there are overt signs that the ACT economy is undergoing a period of high activity particularly in the construction sector, other signs point to an economy that is growing much less rapidly.

December Quarter 2007 figures show that Private Investment as a component of State Final Demand fell by 3.2 per cent on the previous quarter and by 1.5 per cent for the year. This follows a trend of State Final Demand growth falling from 1.8 per cent per quarter in June 2006 to 0.2 per cent in the December 2007 quarter.18

This clearly points to an economy that is heading in the wrong direction and while it can be argued current growth rates are coming off a peak, 0.2 per cent SFD growth is far too low a figure, and the ACT Government needs to acknowledge that the economy is not as robust as they may have first thought.

The ACT Government has relatively few ways to influence the development of the economy in Canberra. However, the approach taken to tax settings is one of them. The ACT Government should strive to make the ACT’s tax regime competitive, especially with neighbouring jurisdictions including NSW and Victoria. Lowering the rates of selected taxes would help improve housing affordability and availability, and deliver economy-wide benefits by helping attract greater business activity.

The ACT Government should use the opportunity provided by the upcoming budget to identify where it can deliver the most efficient and effective tax cuts to foster a competitive and diversified economy.

Basis for Reforming the ACT’s Own-revenue Raising System

It is too easy to forget that the general tax system in any country, state or territory has one unique function: that is, to raise general revenue to finance general government activity as efficiently and effectively as possible.

There is a well-established group of tax design principles to promote this objective. These principles should be used as a framework to evaluate the tax design merits of the Territory’s taxes, and inform decisions on future tax cuts.

Policymakers should judge the adequacy or otherwise of taxes using three criteria: economic efficiency; equity; and simplicity. These encapsulate the key areas through which people and businesses can be affected and are an accepted part of tax policy debates around the world.

For any given revenue target two very general tax design features should dominate the tax system:

- The first is that the tax base should be as comprehensive as possible.
- The second is that the tax rate structure applied to the tax base should be as uniform as possible.

The advantages of these design features are:

- A broad tax base allows low average tax rates for any given revenue target.
- Low uniform tax rates are more efficient, implying lower distorting effects, both absolutely and as between different products/activities/investments.
- A broad tax base means fewer revenue leakages, implying a fairer (i.e. more even-handed or horizontally equitable) and more efficient revenue-raising system.
- A broad tax base/uniform tax structure is simpler to administer and comply.

Where the focus is on indirect taxes (i.e., taxes on assets, products or transactions, rather than incomes), these tax design principles suggest additional desiderata:

- As far as possible, business inputs should not be taxed.
- Taxes should not be levied on other taxes.

Figure 4 Quarterly Growth in ACT SFD and Aust. DFD (Chain Volume Measures, Trend data)19

Source: ABS Cat. no. 5206.0 (a) Reference year for chain volume measures is 2004-05.
How do ACT Property Taxes Rate?

Fire Services and Emergency Levy

Introduced in the 2006-07 Budget the levy is poorly targeted and inefficient. Raising $20 million annually and increasing each year based on the Wage Price Index, the levy applies only to rateable properties, ignoring the reality that fire and emergency services are general community services and should be financed out of general taxation revenue.

Its design – a flat dollar charge on residential and rural properties is regressive, and a much higher, almost proportional, charge on business properties violates the design principles for good tax systems.

Abolition of the FESL should be a priority.

Stamp Duty on Property

Stamp duty on conveyances acts as a major deterrent to business investment in the ACT. The ACT has Australia’s highest rate of stamp duty on property transfers of 6.75 per cent, 1.25 per cent points higher than the second highest rate. This renders investment in the ACT at a competitive disadvantage, especially on commercial property.

Commercial property investors face the highest stamp duty tax bills when investing in the ACT. Acquiring a $40 million commercial property in the ACT attracts a conveyance duty bill almost $500,000 higher than a similar purchase in either NSW or Victoria.

Conveyance duty revenue outstrips payroll tax as the Territory’s largest single revenue source. In 2007-08, the ACT Government is forecasting to collect almost $260 million in revenue from property transactions, including a $65 million windfall (above original forecasts). Stamp duty revenue is expected to earn the ACT Government nearly $1.1 billion (between 2007-08 to 2010-11).

The ACT Government is reaping substantial and sustained increases in conveyance duty revenue and can clearly afford to reduce stamp duty rates to make the ACT more competitive with other jurisdictions and deliver taxpayers relief from escalating tax bills.

Stamp duty on conveyancing in the ACT is amongst the most inefficient of state/territory taxes, especially in the case of stamp duty on commercial property transfers. The current ACT stamp duty is contrary to all of the principles for good tax design: it has a non-uniform rate structure; it is a tax on a key business input; and it suffers from tax-on-tax interactions with the GST.

Stamp duty on commercial property transfers should be abolished as was originally envisaged as part of the original Intergovernmental Agreement between the Commonwealth and the States and Territories as part of the New Tax System. Failing this, the ACT Government should reduce the top rate of duty on property transfers to 5.5 per cent and flatten the rate structure. Tax-on-tax interactions between the GST and stamp duty on property transfers should be eliminated.

Reforms in these areas will help make the ACT a more competitive economy.

Figure 5 Stamp Duty Top Rate

Figure 6 Stamp Duty Paid (calculated on a $40 million commercial property)
Other Arbitrary Taxes

In March 2008 the ACT Government introduced more costs on developing commercial property in the ACT, further harming the Territory’s competitiveness and discouraging investment in Canberra. According to the ACT Government, these charges were introduced to discourage unnecessary delays in completing residential developments in accordance with ACT Government initiatives for affordable housing. Unfortunately however, no distinction was made between residential and commercial development because the ACT Government failed to specify property type.

Charges incurred for extensions to development applications have increased substantially under the new Planning and Development Act 2007. As a result, developers seeking an extension of time beyond the development period specified on the lease now face extraordinary new costs (in effect new taxes). In addition, a new maximum allowable extension of three years has been introduced, beyond which it seems Crown leases may be terminated, removing security of tenure for ACT land owners.

Prior to 31 March 2008, the fee for an extension to the development period was $104 per quarter – or $416 per year. Under the new system it has increased to five times the annual rates payable on a Crown lease.

Commercial properties with a relatively modest unimproved land value of $1 million attract an annual rates bill of approximately $2000. The fee payable for a 12 month extension on these properties has risen from $416 a year to over $10,000 – an increase of 2400 per cent.

According to Property Council calculations, in some cases the fee for an extension will increase by tens or even hundreds of thousands of dollars. For major commercial development sites, fee increases could increase by over 988,000 per cent, resulting in fees of millions of dollars for very large developments.

There are a number of reasons why this is untenable.

Firstly commercial property development sometimes takes longer than the maximum five years, often due to circumstances beyond the developer’s control. Government and its agencies can be the cause of delays for which the ACT land owner may now have to pay punitive fees. The provision is therefore vulnerable to misuse.

Delays can be caused by:

- the inability to obtain a timely planning approval;
- difficulties in securing tenants;
- completing associated off-site works;
- waiting for Territory infrastructure to be completed; and
- the complexities of securing finance.

The new system provides no incentive for government to deliver services in a timely manner, with all risk being borne by ACT land owners. In fact, under the new system, government inaction can translate to more costs and risks to the ACT land owner, while adding to the Territory’s coffers.

As there is no legitimate reason for imposing these costs on the ACT’s commercial property land owners, this provision should be removed as a matter of urgency.

Initiative Seventeen

The ACT Government to examine its tax and other policy settings and identify options for increasing Canberra’s attractiveness and competitiveness as an investment destination.

Scorecard

The 2008-09 Budget includes:

- the abolition of Fire Services Emergency Levy; and
- a commitment to a staged reduction in the top rate of stamp duty on property transfers.

Initiative Eighteen

Section 298A of the Planning and Development Act 2007, which introduces a statutory formula for assessing the cost of obtaining an extension which has increased from a nominal figure to five times annual rates payable on a Crown lease, and Section 298B which imposed a 3 year cap on extensions of Crown lease development times, should be removed as a matter of urgency.

Scorecard

Section 298A and Section 298B of the Planning and Development Act 2007 to be removed as part of the 2008-09 Budget.
ACT taxpayers deserve greater accuracy from the ACT Government in budget forecasting.

**Initiative Nineteen**

The ACT Government to revise its budget forecasting models to improve accuracy of revenue forecasts and aim to deliver a modest budget surplus over the medium term.

**Scorecard**

The 2008-09 Budget delivers a modest budget surplus, and its forecast position does not vary dramatically in either the mid year review or final year outcome.
3.3 A Stable, Sustainable Budget

Accurate budget forecasting has not been one of the strong points of the ACT Government, and there is empirical evidence to show it. The difference between forecasts and actual revenue results has never been so great.

Going from a “horror” budget which forecast a deficit of over $80 million in 2006/07 to an actual surplus of almost $40 million, and then rolling in over $103 million budget surplus a year later is unacceptable. One might question whether a range of new taxes would have been introduced in 2006 if the budgeting had been more accurate and correctly predicted the huge inflow of cash in the next year.

The graph below illustrates the volatility of the ACT Government’s budget forecasting compared to NSW and Victoria. While all jurisdictions have experienced variations, inaccurately predicting revenue outcomes, only the ACT has swung so dramatically from underestimating to overestimating its revenue.

Clear the assumptions used in the ACT Government’s revenue models need to be questioned when they consistently fail to accurately predict the ACT Government’s revenue position.

Of particular concern is the gross underestimation of revenue which has reached dangerous levels in the ACT. Failure to accurately identify future revenue has enabled the ACT Government to forego consideration of tax relief. Indeed, inaccurate budget forecasts have been used as excuse for introducing more tax, as occurred with the Fire and Emergency Services Levy in the 2006/07 Budget, a year in which the ACT Government actually received a $40 million budget surplus.

ACT taxpayers deserve greater accuracy from the ACT Government in budget forecasting.

Figure 8 Revenue Forecasting Accuracy – difference between estimate and actual revenue
Chapter 4
Planning for our Future City
The major theme of this paper has been the need for Canberra to pursue growth targets which will ensure that the economy and the city continue to expand and diversify. Aggressively pursuing such targets will, in turn, increase the need for thorough and detailed forward planning.

The Property Council believes that an annual growth rate target provides a very useful framework for the forward planning of the city.

Regardless of how quickly Canberra grows, there is clearly a need for thorough and detailed forward planning to ensure that development is appropriate and the city retains its unique character and appeal.

But the city cannot remain static and any planning regime must aim to encourage Canberra’s social, economic and cultural development. The Property Council and its members will continue to positively contribute to Canberra’s development and the evolution of its planning structures.

4.1 Revitalising Canberra

When one looks around the city, it quickly becomes clear that parts of the town require substantial and immediate attention. There are ‘black spots’ throughout the city that have been neglected and are rundown and shabby.

Other areas of the city have recently undergone development and, in contrast, look modern and vibrant.

The Sydney and Melbourne buildings and their surrounds stand out as iconic but, for the most part, and with the obvious exception of West Row, look tired and dilapidated. These two buildings should receive immediate attention from government. While they are privately tenanted and many of the issues (such as maintenance) are the landlords’ responsibility, as iconic buildings and the notional centre of the city, the city would benefit greatly from a concept plan which improves their appearance, enhancing their role as the iconic centre of Canberra.

The Civic bus interchange and the Belconnen and Woden interchanges are blights on the city and should be removed as a priority. A city of this size has no need for bus interchanges. A series of bus stops around the CBD area, and linked to the town centres, should be sufficient to allow commuters easy access to the network.

The development opportunities available for the ACT Government in the area currently occupied by the Civic interchange would be considerable. A run-down, shabby part of the city could be easily transformed into an attractive feature of a rejuvenated Civic.

Northbourne Avenue acts as the gateway to Canberra. Almost all road traffic coming into Canberra travels down what is effectively our main street. In many ways, however, Northbourne Avenue does not look the part. The ACT Government should commit to developing a Northbourne Avenue Master Plan, working with the community on concepts for redeveloping the length of Northbourne Avenue to enhance its appearance and status as the gateway to the nation’s capital.

The ACT Government should examine ways to encourage the refurbishment and redevelopment of Canberra’s ageing office stock into modern, efficient and sustainable buildings which will increase the attractiveness of the city’s office stock to potential tenants.
4.2 The Mid-City Precinct

The Sydney and Melbourne buildings, which flank Northbourne Avenue on the approach from the north towards City Hill and which occupy Canberra’s mid-city precinct, are both iconic and historically significant for Canberra but have, over time, lost much of their original character as well as amenity and economic viability.

They urgently need repair and maintenance as well as a coordinated, longer-term approach to their restoration and rejuvenation in time for Canberra’s 2013 centenary celebrations.

The Property Council has long been concerned about the condition of both these landmark buildings and in November 2007 conducted a public meeting to consider the future of the mid-city precinct. The meeting was well attended by a variety of stakeholders, including lessees, owners, workers and concerned members of the public, as well as government representatives, demonstrating the widespread interest in the future of this part of the city, and general support for improving the look and feel of the area.

There was clear and strong consensus expressed at the meeting that the ideal future development for the Sydney and Melbourne buildings would be an arcade style development which utilises the inner courtyard areas of both buildings. The courtyards were seen as special places, unique in Canberra, which could be redeveloped to provide a second frontage and include cafes, bars and restaurants, or could be utilised as intimate spaces for art exhibitions and the like, or both.

While there are many challenges in rejuvenating the area, and a wide range of short and long term issues to be addressed, the public meeting demonstrated there is wide support for the ACT Government to engage with stakeholders and develop a design framework for the mid-city precinct.

Subsequent to the public meeting on this issue, the Property Council provided a submission to the ACT Government, which included the following recommendations:

- **government prioritisation as part of city rejuvenation:** the rejuvenation of the inner city was given high priority when public submissions were solicited by the taskforce for the Canberra 100 Centenary celebrations in 2013. The Sydney and Melbourne buildings are important to the city, most historically and culturally, and should be high on the list of priorities for this rejuvenation.

- **the formation of a working party:** a working group, comprising business and government representatives and other stakeholders, should be formed to provide recommendations to government to assist in developing a design framework for the mid-city precinct.

- **the working party to address issues including:**
  - the immediate need for repairs, maintenance and the improvement of safety and amenity;
  - consistent leasing policies;
  - the preparation of a consistent, transparent and workable heritage plan for the area;
  - liaison and facilitation of an open, consistent communication line between the many stakeholders; and
  - a consistent design and look for the two buildings.

- **the preparation of a design framework to guide future development.**

The Property Council believes that the revitalisation of the mid-city precinct is an extremely important project that should be completed in time for the 2013 centenary celebrations for Canberra.
4.3 Land Release

The amount and method of land release has been the subject of considerable debate for a long period of time. The role of the Land Development Agency, as both developer and supplier in joint ventures, has been central to that debate.

The Property Council has consistently held the view that land release in the Territory should be taken to market through an open, transparent public auction process wherever possible. Public auction processes are the most effective means to maximising the value of land to the community and the ACT Government.

Given that the sale of land is one of Canberra’s main sources of income and is by definition a finite resource, maximising its value should be a top priority for the ACT Government. Hence the Property Council’s view that the sale of land by public auction should be the preferred way to sell land in the Territory.

The ACT Government has recently increased the amount of land put to sale through public auction and the Property Council applauds that effort. However, more can and should be done.

Property Council continues to hold the view that the ACT Government underestimates demand and overestimates supply.

In terms of its forward residential land release program, and according to the Land Development Agency:

Current demand is seen to be in the range of 2800 to 3500 dwellings per annum. This includes multi unit dwellings of 1100 and takes account of the replacement of 400 demolitions. As a component of this demand, the greenfields land supply is assessed to be approximately 1700 dwellings. This reflects a strong ACT economy with an expected population growth of 1.3 per cent.22

It is educative to note that in 2006, the ACT Government predicted that actual residential demand would sit at around 1650 dwellings per annum (which were 150 dwellings per year less than the forecast figure).23

The Property Council stated in the 2006 Initiatives for Canberra document that this was an underestimate, and this has proven to be the case.

The amount of land released each year for residential development needs to increase. There are several reasons why this should occur. Principally, the lack of supply and the consistently high levels of demand directly affect the cost of land and the overall cost of housing in Canberra. This is a key component in the overall lack of housing availability and affordability that pervades the ACT and significantly impacts on our relative competitiveness as a place to live and work.

Initiative Twenty One

Demographic data sets collected by the ACT Government and used to benchmark against current and future dwelling stock demand to ensure sufficient supply side measures are put in place.

Scorecard

Sufficient land released to meet the city’s population targets.

There is an urgent need for the ACT Government to publish its forward program for commercial land release over the next five year period to 2013.
4.4 Consistent and Complementary Planning Regimes

With the election of a new Commonwealth Government and the announced changes to funding for the National Capital Authority, the issue of a single planning regime for the ACT is particularly relevant.

The Commonwealth Government’s ongoing role in the strategic planning for the ACT, as well as its oversight of the National Capital aspects of the city’s development and promotion, is critically important for the future of Canberra.

The Property Council is dismayed by the incoming Commonwealth Government’s measures aimed at cutting back on Government spending on the National Capital, including a reduction in funding to the National Capital Authority of $11.5 million over four years.

Notwithstanding the motivation for such cuts, there is nevertheless an ongoing need for the roles and responsibilities of the Commonwealth and the ACT to be clearly defined, particularly in light of the cuts to the NCA.

The Property Council agrees that, where practicable, duplication in planning roles and responsibilities between the Commonwealth and ACT Governments should be reduced. Nevertheless, it is important to recognise that some relevant areas of duplication will need to be retained to maintain the integrity of the National Capital. A reason for necessary duplication in some areas, for example, is the Commonwealth Government’s ability to fund, or assist in funding, important projects in the national interest such as roads infrastructure.

The Property Council supports reforms that enable the NCA and ACT Government agencies involved in planning to work together more effectively - at all levels from strategic planning to individual projects - in which both levels of government have a legitimate interest. An example is when the NCA works with other Commonwealth agencies which have responsibility for Commonwealth land (such as Finance or Defence).

The Property Council strongly believes the NCA has a vital role to play in the ACT and any funding cuts to that organisation, clearly have a negative impact on Canberra and its development. The ACT Government should lobby its Commonwealth counterparts to restore funding to the NCA as a matter of priority given its nationally significant role.
A suite of incentives to ‘green’ Canberra’s existing stock could provide strong motivation to improve the average quality of ACT buildings by upgrading existing B and C Grade stock to eco-efficient A Grade buildings and thus increasing the Territory’s attraction as an employment location.
4.5 A Sustainable Built Environment

Australia’s buildings have a huge impact on the environment, both in terms of the resources used in constructing them, and the resources consumed and emissions released once they are built.

The construction and operation of buildings account for nearly a quarter - 23 per cent - of Australia’s greenhouse gas emissions, with commercial buildings representing 10 per cent and residential 13 per cent. The building sector’s 23 per cent translates into 130 mega tonnes of greenhouse gas emitted into the atmosphere each year.24

While the ACT is not a major emitter of GHG in national or international terms, its position as Australia’s capital makes leadership in environmental efficiency an important goal for Canberra too.

The ACT Government has taken positive steps to improve its own environmental performance. These include releasing a long-term climate change strategy, adopting a ‘No Waste by 2010’ strategy and announcing its intention to ensure that its shared services building will achieve a minimum 5 Star Green Star rating.

This early leadership shown by government should now also include incentives for owners and developers of both new and existing buildings to accelerate and encourage substantially greater levels of eco-efficiency. In fact, on the basis of the research and a recent report by the International Panel on Climate Change (IPCC), government spending linked to improving the environmental performance of existing buildings is the most cost effective investment in reducing GHG emissions.25

Clearly, every dollar invested by government in this area has, in addition to the direct benefit of reducing GHG from the building operation, other co-benefits for the community that are just as important. These include:

- less churn leading to less land-fill waste (supporting the ACT Government’s No Waste policy);
- encouraging the workforce to choose public transport alternatives or use bicycles; and
- reduced electricity demand leading to very important reductions in the GHG emissions which are produced by electricity plants.

A suite of incentives to ‘green’ Canberra’s existing stock could provide strong motivation to improve the average quality of ACT buildings by upgrading existing B and C Grade stock to eco-efficient A Grade buildings and thus increasing the Territory’s attraction as an employment location.

A range of possible incentives which would effectively encourage the uptake of environmentally sustainable design principles in Canberra’s buildings include:

- faster development application approval times for green buildings
- stamp duty relief
- rate reductions
- Change of Use Charge remission for upgrading to a green building
- land tax remission
- Gross Floor Area increases for green buildings
- accelerated depreciation and amortisation.

Given the impact buildings have on the environment and the potential to reverse that impact such that buildings can actually become a positive influence in the fight against climate change, the Property Council strongly encourages the ACT Government to adopt a policy to provide incentives for the “greening” of Canberra’s building stock.

The Property Council will shortly be releasing a paper which identifies a range of possible incentives to ‘green’ Canberra’s existing building stock, and looks forward to working with the ACT Government on this very important issue.

In May 2006 the Property Council released its *Initiatives for Canberra* paper in which we proposed a number of initiatives to be taken in areas that we believe are important for the future growth and prosperity of Canberra.

Many of the issues raised in 2006 are current today, and many of these issues are again addressed in our 2008 paper.

A brief evaluation of progress on the issues we raised in 2006 follows:

**Initiative One**
The ACT Government to adopt and endorse a population target of 500,000 by 2030, framing policies to achieve it by December 2006.

**Scorecard**
ACT population strategy agreed and implemented.

**Evaluation**
While the ACT Government has taken measures to attempt to attract people to the ACT through the Skilled and Business Migration Program and Live in Canberra Campaign, it has not adopted a plan for population growth based on a population target.

**Initiative Two**
The ACT Government to release all land via a public auction process to achieve the best return to government and the community.

**Scorecard**
All land released to market through an open, transparent and competitive public auction process.

**Evaluation**
The ACT Government has recently put significant parcels of land to the market through an auction process, achieving excellent financial returns for the Territory. However not all land is released via this method.
Initiative Three
The ACT Government to improve housing affordability in the ACT by:
- increasing the supply of land released for new residential development to a minimum of 2,200 dwellings annually;
- setting minimum targets to achieve greater urban consolidation across town centres;
- streamlining the planning process;
- reducing the property tax burden;
- commencing a program of selling public housing in 2007; and
- planning to reduce the public housing stock to the national average of 5 per cent over the next decade.

Scorecard
Increased land supply and choice, lower land prices for new housing and privatisation plan for public housing implemented.

Evaluation
Too early to evaluate. While the ACT Government has released a strategy to address the affordability crisis it is too early to see the results and many of the other key areas in this initiative have not been addressed.

Initiative Four
Following consultation with industry, the ACT Government to commit to an integrated package of sustainable development targets by 2008.

Scorecard
90 per cent of new or refurbished government office space to have a Green Star rating.

Evaluation
Despite releasing its Climate Change Strategy, the ACT Government has not yet announced policy initiatives in this area that will enable it to meet its commitments.

Initiative Five
The ACT Government to commit to the construction of a new dam to secure sufficient water supply to serve Canberra and the region over the next 40 years.

Scorecard
A new dam built by 2012 to ensure a sustainable water supply for Canberra.

Evaluation
Too early to evaluate. The ACT Government has been slow to act on this issue. However, the Property Council has welcomed recent announcements that the Cotter Dam is to be significantly enlarged. That, together with associated water saving measures, should meet Canberra’s water needs for the foreseeable future.

Initiative Six
The ACT Government to abolish stamp duty on commercial property transfers by 2008. The ACT Government to immediately abolish stamp duty on commercial leases.

Scorecard
No stamp duty on commercial property transfers.
No stamp duty on commercial leases.

Evaluation
The ACT Government has not acted on this issue. Stamp duty is still applied on commercial leases and property transfers. Stamp duty acts as a major deterrent to doing business in the ACT and should be abolished.

Initiative Seven
The ACT Government to take immediate measures to reduce the regulatory burden on business by:
- revamping regulatory impact statements by June 2007
- introducing sunset clauses for all regulatory proposals by June 2007.

Scorecard
Regulatory efficiency.

Evaluation
Neither initiative has been taken up by the ACT Government. Red tape and regulation remains an onerous burden on business in the Territory.

Initiative Eight
In consultation with industry, the ACT Government to develop and implement skills training programs by the end of 2007.

Scorecard
Skills training programs implemented.

Evaluation
The ACT Government has not introduced any skills training programs. However it has created a Skills Commission to provide high level, strategic advice to government on skills issues and strategies required to meet the ACT’s skills needs. The Property Council made a submission to the Skills Commission in November 2007.
Initiative Nine
The Commonwealth and ACT Governments to work together to develop an infrastructure plan by December 2007, identifying key priorities to support the delivery of the Canberra Plan and Griffin Legacy.

Scorecard
An infrastructure plan, including sequencing schedule, indicative project budgets and financing options, agreed and implemented by both the Commonwealth and ACT Governments.

Evaluation
The creation of the Projects Group within the Chief Minister’s Department is a welcome step but there is still a requirement for an infrastructure plan which is integrated with a population strategy.

The withdrawal of funding by the Commonwealth Government for planned infrastructure work along Constitution Avenue is regrettable. Funding for Griffin Legacy projects should be reinstated as a matter of urgency.

Canberra needs an infrastructure plan.
This initiative has been reinstated in the 2008 list of initiatives.

Initiative Ten
ACT Government to examine the use of debt funding to finance key infrastructure projects and to develop, and make publicly available, guidelines for public private partnerships.

Scorecard
Major infrastructure project committed to by 2010 using debt funding or public private partnership funding.

Evaluation
The ACT Government continues to ignore the option of debt financing or public-private partnerships for major projects.

This initiative has been reinstated in the 2008 list of initiatives.

Initiative Eleven
The ACT Government to release land for a minimum of two car parking structures in Civic, to address car parking shortfall.

Scorecard
Sufficient public car parking available in Civic.

Evaluation
While there is now a requirement for a thousand space publicly accessible car park to be built on the Section 63 site in Civic, action on this issue has been too little, too late, resulting in serious traffic bottlenecks.

There is now an urgent need for the ACT Government to develop a Territory-wide parking strategy as part of an integrated Sustainable Transport Plan.

Initiative Twelve
Reinstate Civic as the heart of Canberra.

Scorecard
A renewal corporation established and in place by June 2007 to manage future redevelopment of Civic.

Evaluation
While the ACT Government has signalled its intention to focus on Civic, partly through a partnership with the private sector to administer the Canberra City Marketing and Improvements Grant, there has otherwise been little action.

More work is required to address the challenges, such as the need to rejuvenate the mid-city precinct, and the need for a master plan for the city centre.

This initiative has been reinstated in the 2008 list of projects which need attention.
**Initiative Thirteen**
Encourage the revitalisation of Civic by:
- introducing policies, initiatives and programs to encourage the redevelopment and renewal of ageing office buildings; and
- developing a strategy to refurbish or sell ageing government buildings by June 2007.

**Scorecard**
The ACT Government implements policy initiatives to encourage the redevelopment and renewal of ageing CBD office buildings by June 2007.

**Evaluation**
Although the ACT Government has signalled its intention to consolidate all government functions into a single, environmentally sustainable office building, there is currently no announced policy which would encourage the revitalisation of Canberra’s ageing building stock.

The Property Council will shortly be releasing a paper which identifies a range of incentives to encourage the uptake of environmentally sustainable design principles in existing commercial office buildings, and looks forward to working closely with the ACT Government on this important issue.

**Initiative Fourteen**
Ensure Canberra’s growth is planned for by development of a continuous planning improvement process.

**Scorecard**
Bi-yearly planning review process established and implemented.

**Evaluation**
While a formal review process has not been established, the planning regime is under semi-regular review and amendments are brought forward from time to time.

**Initiative Fifteen**
Clarify planning authority and develop a single ACT Environment Plan, promoting consistency, efficient community consultation and harmony with national building codes.

**Scorecard**
Single ACT Environment Plan implemented.

**Evaluation**
Not achieved.