



AUSTRALIAN CHAMBER OF
COMMERCE AND INDUSTRY

Friday, 26 June, 2015

Mr John Alexander OAM MP
Chair
House of Representatives Standing Committee on Economics
Parliament House
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Mr Alexander,

ACCI welcomes the opportunity to make a submission to the House of Representatives Standing Committee on Economics' Inquiry into *Home Ownership*.

ACCI believes that tackling housing unaffordability requires supply-side solutions over the longer term. Demand is likely to remain strong due to increasing population particularly in our large capital cities – and borrowing costs are likely to remain low in the medium term. The challenge will be increasing supply to accommodate growing demand.

It is ACCI's view that State and Territory governments should release more land for development, as well as streamline and reduce the complexity of building and planning approval processes. States and Territories can also remove variations from the Building Code of Australia.

In our submission to the Government's *Re:think* taxation discussion paper, ACCI argued that stamp duty is inefficient because it discourages investment and prevents property from being put to its most valuable use. Stamp duty also inhibits geographic mobility of labour. Overall, reduced turnover and mobility prevents individuals from voluntarily relocating to housing they value more highly – this is effectively the same as a reduction in the value of the housing stock.

Reduced household mobility also has implications for the labour market. Some workers may decline job offers because of the cost of moving. Similarly, workers may choose to take a new job with a longer commute rather than relocating, which adds to congestion and increased strain on transport infrastructure.

Stamp duties can also result in 'triple taxation' through being levied at different transaction points – all of which get built into the final price of a new house.

Abolishing or restricting negative gearing for investment in residential property is often touted as a possible solution to housing unaffordability. ACCI is opposed to such proposals for two reasons.

Firstly, negative gearing is a fundamental part of Australia's tax system that is rarely, if ever questioned for investments other than residential property. If negative gearing for residential property were abolished or restricted, this would lead to distortionary treatment of residential property compared with other asset classes. Secondly, abolishing or restricting negative gearing is unlikely to improve housing affordability and merely lead to increased rents.



The provision and financing of infrastructure is also a significant issue. Inefficiencies in the provision of infrastructure are an impediment to the housing stock adjusting to increases in demand. The Commonwealth Government's asset recycling initiative is a welcome reform but this needs to be taken further. In particular, the Commonwealth Government needs to encourage more private sector financing of infrastructure by improving project selection processes, cater for different risk appetites of various classes of investors, consider concessional taxation treatment for investment in certain infrastructure projects, establish a national framework for user charging and make it easier for small and medium businesses to participate in infrastructure projects. The recommendations in ACCI's submission to the Senate Economics References Committee Inquiry into *Privatisation of State and Territory Assets and New Infrastructure* outline a plan of action to improve infrastructure provision and financing in Australia.

Robust, independent project selection processes will reduce the risks associated with infrastructure projects, making them more attractive to private investors.

Offering a wider selection of debt and equity instruments and concessional taxation of infrastructure-related investments will encourage different types of investors to participate in financing, thereby increasing the pool of funds available. This will, in turn, help to alleviate pressure on government budgets.

Publishing data and establishing a nationally consistent framework for user charging and will help to build community acceptance through transparency and accountability.

Simplifying and improving government procurement frameworks will allow small and medium businesses to compete for infrastructure contracts, leading to increased competition and lower project costs.

In summary, the best chance of addressing housing affordability comes through having an efficient housing market where supply is able to respond to changes in demand in a timely way and the allocation of resources and capital is not distorted by taxation, subsidy and regulatory interventions. The role of Commonwealth Government should be to set frameworks and provide incentives so that the housing market functions effectively.

Best wishes,

John Osborn
Director, Economics and Industry Policy Unit