

**REIA SUBMISSION TO THE HOUSE OF REPRESENTATIVES ON
ENVIRONMENT AND HERITAGE INQUIRY INTO THE DEVELOPMENT
OF A SUSTAINABILITY CHARTER**

INTRODUCTION

1. The REIA is the peak national professional association for the real estate industry in Australia. The REIA has eight members, comprised of the State and Territory Real Estate Institutes, through which about 80% of real estate agencies are collectively represented. An important element of a real estate agent's profession is the pricing and marketing of real properties offered for sale or lease.
2. As the awareness of sustainability issues increases within the Australian community, the 'sustainability' of new and existing properties offered for sale or lease is likely to become increasingly important, and this will affect pricing and marketing these properties into the foreseeable future.

PURPOSE

3. The purpose of this paper is to provide comment on the discussion paper on the Inquiry into a Sustainability Charter.

ISSUES

General

4. The impacts of human activity on the wider environment are becoming more and more apparent as populations increase, trade continues to globalise and time marches on. As cities expand to accommodate their rising populations, sustainability issues have become increasingly important for policy makers as they begin to understand the socio-economic and environmental implications of intensive water, energy and materials usage within the built environment.
5. The REIA supports the development of a National Aspirational Sustainability Charter in-principle. Such a charter could be used to better understand the impacts of human activity as well as setting aspirational sustainability targets to help mitigate the negative environmental and economic impacts of these activities into the future.

Should a sustainability charter consist of aspirational statements, set targets (such as measurable water quality) or both?

6. Aspirational statements are, by nature, typically open-ended and difficult to resolve. For instance, the statement "Environmental water flows will be increased" gives no indication as to what level of water flow is acceptable over the longer term and does not provide a base from which to measure any change. Alternatively, the statement "Environmental water flows will be increased by 30% by 2010" requires the measurement of a base flow while also providing a measurable target outcome.

7. Not only does this establish an operational basis for endeavouring to increase water flows in a given water system, the target will also allow COAG to objectively assess the success or otherwise of particular aspects of the Sustainability Charter. This is particularly important if the proposed system of incentive payments is to be coupled with the Sustainability Charter.

8. Alternatively, it may be useful for the Sustainability Charter to provide the overall vision or aspirational statement of intent without explicit targets. Over time, the vision should not need to be changed however the implementation for achieving the vision will need to be periodically updated. A second supporting document or plan for implementation (Implementation Agreement) might then help to explicitly state specific targets for particular elements of the Charter such as water and energy. For example, the agreement of targets might show that energy efficiency be increased in housing by x%. From this planning document, the various industry sectors and government officials can develop their own detailed plans to achieve their targets.

What research will be needed to develop and support the Sustainability Charter?

9. Research may need to be conducted to establish:

- a. key environmental concerns,
- b. a system of measurement (e.g. identification of an environmental indicator and a means to measure it),
- c. a base measurement,
- d. the potential for change,
- e. an aspirational target,
- f. a means for achieving the change, and
- g. any community, economic or political barriers to change.

10. It is likely that research has already been conducted into many of these aspects for areas of major environmental concern and, in some cases; it may simply be a case of assimilating existing research into the Sustainability Charter.

Can existing standards (such as the Water Efficiency Labelling and Standards (WELS) Scheme) be applied to the Sustainability Charter? What are they?

11. The compulsory energy efficiency rating (EER) for dwellings within the ACT are a good example of the operation of standards and how they might be applied within a Sustainability Charter.

12. While standards can provide an excellent means of establishing baselines and measurement systems which could form part of the Sustainability Charter, evidence provided to the REIA by ACT real estate agents suggests that standards in themselves can sometimes represent an unnecessary additional cost if not properly designed and widely accepted within the marketplace.

13. For instance, the mandatory disclosure of energy efficiency ratings in the ACT has not provided a significant market driver for the building or renovation of homes to achieve improved energy efficiency and there is no evidence that consumers are willing to pay a premium for homes with a higher EER. Moreover, consumers appear to be much more interested in other factors concerning their potential purchase such as the number of bedrooms, size of the yard or location and do not appear to seriously consider the EER when purchasing a home. Anecdotal evidence, would suggest that buyers simply expect old homes in inner suburbs to have a low EER, and newer homes to have a higher EER.

14. Consumers will generally opt for the least expensive option unless it is clearly demonstrated that costs can be saved or there is legislation in place which sets standards for new houses, eg EER or specific requirements such as double-glazed windows and water tanks.

15. The REIA suggests that any standard which is to be applied to the Sustainability Charter should avoid burdening consumers with unnecessary costs in terms of measurement against the standard and should ideally provide a meaningful behavioural change which allows consumers to encourage improved sustainability outcomes.

Can the charter be framed in such a way to ensure that it can be integrated into all levels of government decision making?

16. This is primarily a question for the various Australian governments who will be devising and implementing the Charter. The REIA would suggest however that this could be achieved provided that it is stipulated as a goal prior to devising the Charter. Once agreed by COAG, individual governments would be committed to implementation. There should also be an agreed process and responsible organisation to independently assess and report on progress for implementing the Charter.

Will there be a cost/gain to the economy by introducing the target(s)?

17. This question is difficult to answer unequivocally without knowledge of what particular targets may be and how it is proposed that they shall be met. In a general sense, higher targets with shorter timeframes are likely to result in the largest economic costs. Other important considerations here would include:

- a. whether or not a market or a regulatory solution is used to address the problem,
- b. whether or not a particular environmental improvement will also result in a long term improvement in productive capacity, and
- c. whether or not increased efficiencies may be found, that if used elsewhere, would boost the economy.

18. The point has been raised in the past that Australia's economic competitiveness would be hampered if our competitors do not adopt similar standards of sustainability. This is a short-term issue and short-sighted response to a domestic problem which is contributing to a global crisis. If necessary, Australia should lead on the issue of sustainability.

19. For these reasons, the REIA suggests that a “whole of life” cost/gain analysis would need to be developed and conducted for each proposed standard prior to agreement and implementation to ensure that improved sustainability is warranted by the cost. For example, improving energy efficiencies in properties through measures such as double glazing and improved insulation will come at a financial outlay for the consumer; and environmental cost associated with the manufacture and eventual disposal of utilised materials.

Could a sustainability charter be incorporated into national State of the Environment reporting?

20. While a sustainability charter which would be agreed by politicians in consultation with the Australian public, industry and scientific community and also via Australia’s participation in international foray could be incorporated in the State of the Environment Report (SOE) it would be much more sensible to completely remove political aspects from the SoE report altogether and instead incorporate them into a stand alone National Australian Sustainability Charter. The SOE Report, conducted by an independent body, would then objectively report against the Charter.

21. To establish a close ongoing relationship between the SoE Report and the Sustainability Charter, the Sustainability Commissioner should consider taking on the primary role in overseeing the production of the SoE. This would ensure that the SoE Report comprehensively and adequately addressed all of the sustainability elements contained in the Charter and would create the required nexus between the political and scientific communities.

Is National Competition Policy a good template for consideration of incentive payments for sustainable outcomes?

22. As with National Competition Policy (NCP) it is reasonable to expect that the inception of a National Aspirational Sustainability Charter will need to be underpinned by a formal *Implementation Agreement* which sets out the obligations of participating Governments in endeavouring to reach the agreed aspirational standards. Like NCP, this agreement could be structured to provide for payments to States and Territories for satisfactory progress in achieving the agreed sustainability goals as outlined in the Charter.

23. However, NCP is largely shaped through the imposition or removal of restrictions on the actions of registered companies, government service providers and public monopolies, in particular with regard to their interactions with one another and consumers at large. While incentive payments are made to the States and Territories who achieve satisfactory progress in implementing NCP, consumers also benefit directly from improvements in the overall competitive environment.

24. On the other hand, it is consumers who will often bear the cost of improving sustainability through more expensive environmentally friendly products, reduced choice and /or restrictions on their actions. These costs may amount to a disincentive for consumers to fully embrace more sustainable practices as outlined in the National Aspirational Sustainability Charter, unless they are carefully managed and presented to the public.

25. For this reason, mechanisms need to be found that would allow any incentive payments to, at least in part, be passed on to individuals in the community who would otherwise bear the cost of improved sustainability outcomes. An example related to property for such as system is illustrated below.

Example:

While the Building Code of Australia may mandate that all new homes achieve a minimum sustainability rating (e.g. 5 star), Australian States / Territories and local governments could additionally offer a reduction in proportional taxes to the owners of homes that achieve an ‘aspirational’ sustainability rating over and above this level (e.g. 6 star). The applied reduction in these taxes would be proportional to the cost of incorporating improved sustainability measures into a home having regard for savings that would subsequently be made by the purchaser by way of reduced energy and water costs over say, a 10 year period.

As each home purchaser would need to demonstrate to their governing authority that the sustainability of their home had been increased in order to attract the taxation reduction, these Governments would have an objective record of the number of dwellings that had reached the ‘aspirational’ sustainability standard and the cost of achieving this outcome. These authorities would then provide this information to the Commonwealth’s Sustainability Commission and seek partial reimbursement for any demonstrated loss in revenue that had occurred as a result of the taxation reduction awarded to the owners of more sustainable homes. More sustainable homes should also result in reduced infrastructure costs for many of these authorities.

In this manner, all Australian Governments and affected individuals are all able to *share* the cost of attaining ‘aspirational’ sustainability levels, while also:

- establishing targets;
- establishing objective measuring systems (including total numbers of homes reaching the ‘aspirational’ standard and the direct costs of achieving the outcome);
- reducing per capita infrastructure costs;
- reducing ongoing costs for individuals; and
- providing a practical market incentive to drive the construction and maintenance of more sustainable homes.

How should payments be awarded under the Sustainability Charter?

26. Please see example presented above.

Is it possible to measure cultural and social values in relation to a Sustainability Charter?

27. It is possible to measure cultural and social values in relation to a Sustainability Charter. This would however require broad and constant community consultation in establishing targets, measuring success against the targets and quantifying current and changing community attitudes in respect of specific and general endeavours.

28. While ongoing community consultations would be an excellent means of including community and social values in the Charter, this endeavour may unfortunately be quite costly and represent a significant overhead in the implementation and maintenance of the Charter. At the end of the day however, the ongoing support of the community will be required to ensure the success of the Charter, particularly considering that some sectors of the community may be faced with increased costs in achieving particular targets.

The Built Environment

What objectives are applicable to the built environment?

29. When considering issues relating to the built environment the key objective must be to maintain or improve the liveability of cities for future generations. There are many aspects to this objective which of course include environmental, economic and social considerations. The REIA considers that some of the more important objectives would include:

- a. Housing affordability – can city dwellers afford to purchase homes or will they be consigned to renting or relying on public housing?
- b. Housing design – is the design of current housing stock suitable for future generations? What positive incentives are there for incorporating improved sustainability in new buildings or retro-fitting older buildings?
- c. Planning – including urban encroachment, sustainable land release, rezoning, location of industrial/commercial/residential areas.
- d. Health – how can the physical contamination of the local natural environment in which people must live be avoided (e.g. the air)?
- e. Amenity – prevention of degradation of the pleasing aesthetic aspects of cities including noise/light pollution, maintenance of open spaces, remnant vegetation and parkland.
- f. Economics – cities must continue to generate enough wealth to provide a good standard of living for their populations.
- g. Off-site Impacts – including emissions, solid waste management and the ecological footprint.

How would these be measured?

30. As suggested in the “general” section of this submission, research will either need to be conducted, or assimilated, into identifying an appropriate objective measurement of these objectives.

31. With respect to housing affordability however, the REIA publishes a Home Loan Affordability Report on a quarterly basis which provides an affordability index depicting changes in affordability over time both for houses and ‘other dwellings’ across all Australian capital cities. The affordability measurement itself is essentially a ratio of median family income to average loan repayments.

32. The REIA also publishes the quarterly report Real Estate Market Facts which contains information on median house and ‘other dwelling’ prices across Australian capital cities (and selected provincial areas). The report also includes information on median weekly rents and vacancy rates.

How should we rate the sustainability of existing building infrastructure? Could a measurement of level of retro-fitting achieve this?

33. The sustainability of existing buildings cannot be measured as a level of retrofitting alone. This process would need to assume that all retrofitting met a particular sustainability level and would also assume that all buildings not retrofitted do not. Both of these assumptions may be grossly incorrect in respect of any particular property and do not account for, say, the climate in a particular region of Australia as compared to another. For instance, identical houses in Darwin and Canberra are unlikely to provide the same sustainability outcomes if measured in terms of energy consumption alone. Identical retrofits of these houses would suffer the same assessment problems.

34. In the REIA’s opinion, the only practical way to ensure a firm basis for comparative assessment of the sustainability of building infrastructure across Australia would be via the development of a cost effective mathematical model that is able to objectively incorporate local variations such as climate, local housing design and the availability of building materials.

How would we measure levels of retro –fitting?

35. One option would be for levels of retrofitting could be measured via the regulatory process already applicable to the application process. This may not however cover all retrofits as some may not require approval.

36. Ideally, persons attaining a particular sustainability level as a result of a retrofit could be eligible to receive a rebate or proportional cost reduction (as outlined in the REIA’s previous boxed example). Thus, these people would apply for the rebate or tax reduction and in doing so; demonstrate both the type of retrofit carried out and the sustainability outcomes likely to be achieved.

Do we need to protect heritage buildings as part of the sustainability charter?

37. It is unreasonable to expect that important heritage buildings be made to adhere to all modern day sustainability measures. Many of these measures, such as improved heating or cooling systems, may require structural or superficial modification to meet the new standard which will erode the preserved heritage value of the building. Some measures may however be incorporated where they do not undermine the heritage value of the particular building, for instance, the fitting of dual flush toilets in parts of the building that have already been modernized.

Can existing building standards, such as the 5 star rating system, be incorporated into the Sustainability Charter?

38. Relevant existing building standards could be incorporated into the Implementation Agreement of the Sustainability Charter due to the fact that the Charter, eg the 5 star energy rating, within existing standards such as the Building Code of Australia. The REIA believes that the Charter should also encourage people to consider meeting higher aspirational standards, rather than be reflective of mandated standards that already must be met.

39. An approach could be to leave the 5-star rating as a mandated requirement and include, say, a 6-star rating in the Aspirational Charter – with appropriate incentives to reach it. This will encourage some persons to aspire to meet the standards of the Charter now while allowing other persons to consider what future standards may be applied such that they may be considered in building designs with a view to lowering the cost of later adherence to any new standard.

SUMMARY

40. The REIA supports the development, agreement and implementation of a National Aspirational Sustainability Charter ‘in-principle’. Such a Charter would help establish a clear vision for a sustainable future and could incorporate existing standards and objective targets for consideration in all levels of government decision making. The Charter should recognise social and cultural values, such as providing adequate protection of heritage buildings, and each individual sustainability initiative forming part of the Charter will need to be underpinned by an appropriate cost / benefit analysis. The REIA believes that NCP provides a good model for the implementation of a National Aspirational Sustainability Charter, including the establishment of an Implementation Agreement which sets out the obligations of participating governments and that provides for incentive payments to stakeholders meeting particular targets.

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