

Submission to Senate Inquiry into

## **Housing Affordability**

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**The real crisis is LAND AFFORDABILITY and the Affordability of Land Access<sup>1</sup>.  
The term Housing Affordability hides this reality.**

**Almost any Australian can build a house – with a little help from friends - but  
without land to put it on, the project is a non-starter.**

So land supply is critical<sup>2</sup>, not so much skills. But no matter how much and how quickly land is ‘released’ by State and Local Governments, the supply to the home buyer will be controlled by the real estate industry to maximise their own profits; they have no duty of care to home-buyers, only to their shareholders/financiers.

Holding suitable land out of use waiting for the value to increase and buying land for speculation are widespread; indeed, our present tax regime encourages this and also the ownership of more than one house for those deemed credit-worthy

**Reversing this and discouraging speculative land holding is essential to halt the  
increase in home un-affordability.**

Land Tax is the most simple way to discourage speculation. The moral justification is incontrovertible; if you want a piece of Australia for your exclusive use, then the community at large should be compensated for their exclusion! And there would be many fiscal and social benefits from a simple, flat-rate land tax.

But there are major obstacles;

1. Competition between the States and major political parties to placate/curry favour with, developers and the real estate industry has ensured land tax is never viewed or used as a significant source of revenue.
2. Land Tax always gets a bad press – because the print media gets such a huge slice of revenue from real estate advertising and the real estate industry claims they cannot make a crust if there is a significant land tax.
3. The demographic that encompasses the ‘negative-gearers’, the ‘two plus’ home owners and ‘mums and dad investors’<sup>3</sup>, almost certainly includes many of the political, academic and legal fraternities and the upper echelons of the public service. Thus land tax legislation and research is not undertaken with any enthusiasm<sup>4</sup>.

**But suppose the Federal Government fixed a National Land Tax Rate – must be a simple flat rate to be equitable – for the States to collect and retain as general revenue. Could even be collected by Local Government, they have the systems and data already so there would be very low compliance costs! Sure, there would need to be a National body of valuers and all valuations would need to be in the public domain to ensure equity and transparency.**

This would attain several objectives, I submit.

- Firstly, discourage land speculation. The extent would depend on the rate of tax versus general interest rates.
- Ensure approved land was sold to prospective home builders more quickly; how quickly would depend on the rate of tax.
- Return to the community some of the benefits of public funded development such as new roads, rail lines, schools – and compensate those whose suffered negative effects of development. (Their land Tax would decline if the value of their property did.)
- Provide the States with an improved revenue, claimed by many to be non-inflationary, which did not impinge on any useful economic endeavours and would allow for the elimination of bizarre and regressive taxes like Stamp Duty – and in due time GST.

**I would dearly like the Committee to research fully the effect of a flat-rate national land tax upon Land/Housing Affordability and the impact on the Real Estate and Development businesses. A comparison with the present ‘subsidies/investment sweeteners’ mindset would also be helpful.**

Yours Faithfully,  
Colin Cook

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#### **Footnotes**

<sup>1</sup> In Northern NSW here, the price of a housing block has multiplied by 5 or 6 in the last decade. The price of building has multiplied by 2 or 3. And, as everywhere, there are un-used blocks quietly appreciating whilst the owner does nothing at all.

<sup>2</sup> Land has unique properties.

- There is no substitute for a particular piece of land because its POSITION is absolutely unique. Thus competitive forces do not apply with the same force as with other commodities.
- There is a limited supply of land so making more money available for its purchase – by way of grants, loans and subsidies - simply inflates the price.
- The value of a piece of land is determined by what is around it – often provided by the community in the form of roads, schools, parks, commuter services. Thus the community provides the attributes that make up the value and the owner freely pockets the benefit.

<sup>3</sup> A motherhood phrase beloved of vote-seeking polities and the real estate/housing industry bodies though it covers the whole range of investors from the very modest to the multi-billion highly geared, from the most ethical to the most predatory.

<sup>4</sup> It would be interesting to know what proportion of those involved with this inquiry own houses for rent and/or have negatively geared properties! Just interesting!