

CORRECTED VERSION

STANDING COMMITTEE ON FINANCE AND PUBLIC ADMINISTRATION

Inquiry into departmental and agency performance and operations

Melbourne — 7 September 2009

Members

Mr G. Barber
Ms C. Broad
Mr M. Guy
Mr P. Hall

Mr P. Kavanagh
Mr G. Rich-Phillips
Mr M. Viney

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Substituted members

Mr B. Tee for Mr M. Viney

Staff

Secretary: Mr R. Willis
Research Assistant: Mr A. Walsh

Witnesses

Mr C. Banks, chairman, and
Mr P. Seamer, chief executive officer, Growth Areas Authority.

The CHAIR — I declare open the Legislative Council Standing Committee on Finance and Public Administration public hearing. Today's hearing is in relation to the inquiry into departmental and agency performance and operations, specifically the Growth Areas Authority's performance and operations. This is the second hearing with the authority following an initial public hearing in April this year. I welcome Mr Chris Banks, the chairman, and Mr Peter Seamer, the chief executive officer, of the Growth Areas Authority. For the information of witnesses and the committee I point out that Mr Brian Tee is today a substitute for Mr Matt Viney, and Mr Hall from The Nationals gives an apology.

All evidence taken at this hearing is protected by parliamentary privilege as provided by the Constitution Act 1975 and further subject to the provisions of Legislative Council standing orders. Any comments made outside the precincts of the hearing are not afforded parliamentary privilege. All evidence is being recorded by Hansard, and witnesses will be provided with a proof version of the transcript in the next couple of days. I now invite you to make any opening statement you wish before the committee proceeds to questions.

Overheads shown.

Mr SEAMER — Through you, Chairman, what I thought I might do is to give a PowerPoint presentation quickly summarising where we are up to. Some people do not like PowerPoints, and I understand that, but we will try to be succinct about it. What I am trying to do is to respond to the points made in your last letter to us. Since we last spoke, we had this session, there was a letter coming from you asking for more information, which we replied to; there was another letter which we replied to; but obviously we have got the chance of exploring whether or not there are any issues outstanding.

The specific matters raised in your last letter to us related to any consultancy work that was done on how streamlining reforms would achieve a \$10 000 saving. The second one is research by the GAA on the impact of GAIC on housing affordability, and the remaining points you asked about related to the GAA's performance and operations for the 2008–09 financial year. Before I go on to that one I would just like to say that clearly the annual report of the GAA is something that will be going to our board this week. It will then be passed on to the minister, who will table it in Parliament in due course.

The CHAIR — We understand.

Mr SEAMER — So it is not appropriate for me to be putting forward that information at this stage. There is nothing in particular to talk about, but now is not the time to talk about that; it has to go through the process. So I will not be making any further remarks to that unless you ask questions, but I am not sure what I can respond to because there is a process in train already for that.

The CHAIR — Thank you for that.

Mr SEAMER — The other issues that you have asked about relate to the urban growth boundary and the urban growth zone, the growth areas infrastructure contribution levy and precinct structure plans. Just briefly with regard to the issue of affordability, there are two issues there: one relating to streamlining and the other one relating to any levies that are applied. Basically, as I stated last time, there was some limited work done by the GAA in looking at the affordability issue. Basically from the point of view of the impact of any levies on the final house price, most of the work that we relied on came from the Productivity Commission 2004 report with regard to first home ownership.

There is a body of work around the world with regard to this particular issue, and I have supplied references to you of those issues. There is quite a range of different analyses of these, but certainly from our point of view I think the Productivity Commission's is the most substantial and most relevant document to us. We have given you those references, and we can dwell on that a little bit, if you would like.

With regard to the issue of streamlining, the GAA has basically prepared its own analysis of what we think the impacts of any streamlining might be. They have been given to you set out in a letter. In addition to that, there was some earlier work done by Spiller Gibbins Swan, SGS Economics, with regard to affordability issues where they were trying to do a regression analysis on the market conditions. Even though it does not specifically relate to this, we have provided a copy to you. But if you are looking for the consultants report on this sort of issue, that is as close as we have. But really what I would like to refer to would be what was a very

extensive piece of work done by the Productivity Commission in 2004 that relates to this, and if you wish to, we can dwell on that more.

Moving on to the broader topics of planning and Melbourne's growth, some of these things you will obviously be aware of. Melbourne had 80 000 new people move in last year, well in excess of Sydney. Some of the areas, particularly our growth areas in Melbourne, which we are involved in, are 3 out of 10 of Australia's fastest growing new suburbs. We are still providing a very affordable and high-quality product in comparison with interstate, and obviously it is the GAA's job to make sure that keeps up.

Just recently we have been monitoring sales figures, and as you can see from that — the green dotted line is the Melbourne figures — it shows that Melbourne's affordability position is still strong in comparison with other states. The position vis-a-vis Sydney, that we always tend to look at, has come back a little bit, mainly because Sydney's position was very difficult. There has been a little bit of a kick up in the last couple of months right across Australia, presumably mostly, I would speculate, because of interest rates but also possibly due to other factors. Basically the point of saying that is that Melbourne is still a very affordable product, and that is something that I am sure everybody around this table wants to maintain.

This histogram is important, and I showed it to you last time. This is just what the targets are for us. The middle one is the growth areas. The 284 000 new dwellings over the 20-odd-year period is the target, and obviously there is a lot of work that has got to be done to bring that about and a lot of infrastructure to be paid for.

With regard to the PSP program — I think I showed this to you last time because it is one of the questions you have asked — last year, in the 2008–09 financial year, for the first time in some years we zoned more land than was being built on or being sold. The typical annual use of land at the moment, given the balance between consolidation, growth and growth areas, has shown typical use of around 12 000 to 14 000 lots per year in the growth areas. Last year we managed to get ahead of that, so we should have made the position somewhat better. Of course during that time, despite the world financial crisis and all that, there have been very intense sales, and hopefully this year we will be able to bring about a better position with regard to that again. This is still work in progress, but these are our predictions at the moment. Obviously one particular precinct structure plan, or PSP, which is Toolern, will have a big influence on that, and that is being worked on at the present time.

The years after that are shown there, and of course these are just the areas inside the current UGB and they do not relate to any decisions that government and Parliament may make with regard to shifting the UGB.

I thought I would, for a second, quickly run through the big picture process, because you have got to put the context to it. In the planning process you start with the really big planning issues, and I think the government has made a number of very substantial statements in recent times, particularly Melbourne @ 5 million, the Victorian transport plan and delivering Melbourne's newest sustainable communities, which came out in May. Effectively the big driving components of this relate to the UGB; basically, the direction of Melbourne growth. For that I think you should read moving west, which is certainly a key government aim because of the limitations of the east and the distance it is becoming from Melbourne.

There is the regional rail link, which is the single biggest major new suburban development of rail in a long time, probably since Tommy Bent was around — I would have to check my figures on that, though. The outer metropolitan ring-road joining into the E6 is a very significant project. The strategic assessment of biodiversity is a key issue that has to be resolved and is being resolved, and there is consultation going on about that. Then of course there is the precinct structure planning process, which is the next step down where we go into zoning land in detail.

A couple of high-level points on this is that there are government policies in regard to: development within potential or existing public transport corridors, the contiguous urban extensions, resolving biodiversity issues. I will not read all of these out one by one, but if you go down to the bottom of that you will see that the total amount of development land being considered in the announcements in May was some 26 000 hectares of developable land.

The outer metro ring is basically a 70-kilometre ring-road with a 23-kilometre extension to the E6. It includes joining into the Deer Park bypass. This is a road being planned at the present time. It will not be constructed, under present consideration, for at least 10 years, but it is very important that the planning is done early so that things can be designed around it and of course that you can set the land aside. These are the plans I am sure you

have seen in regard to the areas being considered for development or for shifting the UGB. The green and the pink and reddish areas, the land inside, are prospective UGB. Green does not necessarily mean they are parks, but it could also include areas that cannot be developed, so perhaps we should have a few of them a little bit greyer in colour for quarries and things like that. Essentially the pink areas are the areas being considered for development. The reddish area up at the north-eastern end of the Hume corridor relates to a potential site for a freight interchange which is being considered slightly differently to the others.

This is the western corridor, and it is probably the biggest area. The key feature of this is the two transport corridors. One is a road and rail corridor, which is the outer metropolitan ring. The other one is the inner rail, the regional rail link, which will relieve a lot of the congestion on the Geelong to Melbourne rail link at the present time; it is a new railway line. It is a very significant item for Victoria; I think some people talk about \$4 billion, but I am not an expert on that, so it is a very significant project. I think what this does is to stress the fact that you have actually got some integrated planning going on where we are putting transport and the land-use plan together. To be perfectly frank, it is always talked about, but it is often not done, so I think this is good in terms of planning. This is on a different scale so it is a little bit misleading, but this is the Casey corridor. For our other growth municipality, Cardinia, there are no changes proposed.

Just briefly, I do not know if you want to talk about it but there are state infrastructure requirements. These are the items that come basically through to where the state gets more involved than others. It does not involve utilities such as water and power, which are done through a number of different areas. It also does not cover some of the council infrastructure, although there is obviously an overlap in sport and recreation and open space and in terms of some of the local roads with what council does. It needs a more detailed analysis than we are able to do today.

I do not think there is a lot of point in going through this again; this is just a quick few dot points on the growth area infrastructure charge. I am sure that most of you have a reasonably good idea of what that is, so I will not dwell on that, but I am sure there might be a couple of questions in relation to that in due course.

In terms of how the planning hierarchy works, we obviously have the major high-level plans for the whole of Melbourne. You then go down to a framework plan, which is really a corridor. This particular corridor on this graph, which looks very interesting but is very difficult to read — I am sorry about that — shows the Casey and Cardinia corridor. The next level of planning is the precinct structure plan which is basically a plan for a new suburb, and the next level of planning is a planning permit where you drill down again into more detail. One of the things that we are doing in regard to planning is to actually link planning permits with the precinct structure plan as a major exercise in streamlining so that you do not have a duplicated process and you can take a lot of time out of the process. Particularly Cranbourne East is one of the areas where this is being used extensively, probably for the first time, and this is one of the ways in which we hope to bring about more streamlined outcomes.

The precinct structure plan is the fundamental document. It is, if you like, the rezoning document. The GAA has a very strong role in regard to these. It is effectively the master plan for the new suburb. It is where a lot of the work is done in sorting out biodiversity issues, transport issues and all the innovations that we want to bring into modern suburban design; a lot of them will come from this area. We basically have 31 still to complete inside the current UGB, and if there is an extension, based on a little bit of work we have done, there are probably another 40 or so to be done outside of that as the years go by, if this all comes to fruition. There is a quick status there of where our PSPs inside the current UGB sit, and if you would like, I can go through in more detail about where they are up to and how those PSPs are progressing.

I think that is then reflected on this map. This was actually done in December 2008, so you will find that a number of the areas that were not commenced at that stage have actually been commenced if you go to the previous chart, which is a few months later. That is what I hoped to present to you today, and with that, I thank you and pass back to you.

The CHAIR — Thank you, Mr Seamer. Mr Banks, do you have anything to add?

Mr BANKS — No, I do not need to add anything.

The CHAIR — Thank you. Mr Seamer, I would like to start by going back to a couple of matters that the committee did regard as outstanding from the earlier hearing in April. The first related to the potential saving

arising from the urban growth zone process, the quoted \$10 000 figure that was used extensively by the government in various press releases et cetera. At that first hearing in April you indicated that the GAA had provided some information to government on that matter, and it was that information that this committee was seeking to obtain a copy of. You indicated you would speak to the minister, take advice from the minister and come back to the committee. I am wondering if you can advise us where you have progressed with getting that advice from the minister as to whether this committee can get access to that document, or documents, that went to government.

Mr SEAMER — Sure. In my letter to Richard Willis on 29 May I set out the basis of the calculation that was done by us that came up with the figure of around \$10 000. In your first letter I think you were seeking something done by consultants. There was not something specifically done by consultants on that figure; however, there was some peripheral work done in a slightly different way, which I did give your copy of. So you have basically all the information we have got, and the calculation of the \$10 000, which is an estimate of how much we may be able to reduce the input costs to the planning process by doing streamlining is set out there. I do not really know that there is terribly much more I can add to that.

The CHAIR — I take it from the letters that we have received from you that this is not actually the document that went to government, is it? The contents of this letter is not the document that went to government.

Mr SEAMER — This is the contents of the calculation we have done in regard to it. I am not sure that we even gave the details of that to government, but we certainly spoke about the \$10 000 figure as being a GAA estimate. I have not actually checked what specific documents we gave. If you like, I can actually check whether or not that particular calculation went through, but basically the \$10 000 figure was the GAA estimate of what might be achieved from a streamlined process, and that is the basis of our calculation. If you would like, as I said, I can check exactly in what form that went to government and then check with the minister whether he is happy for that to be released.

The CHAIR — That is what the committee understood was happening. We were specifically interested in the documents that went to government and whether the minister was happy for this committee to receive those.

Mr SEAMER — Right, okay. I was not aware of that specific thing, but I thought that my response had probably covered off on it. I am just checking what we said in our second letter to you.

The CHAIR — At page 11 of the transcript of the April hearing you indicated that, to quote:

We would be happy to check with the minister and see whether he is comfortable with that being made available, and if that is the case, it will be provided.

That was our expectation of what you would do.

Mr SEAMER — If you could just bear with me, I am just checking my last letter to you, because I thought we had covered off on that. In your expanded request that you sent me on 10 June you were asking for the consultancy work undertaken by the Growth Areas Authority for the government. The only consultancy work that was done is the consultancy work that I have provided to you. That is the response that I have made in that letter. I want to make sure that we do actually give you what you are asking for; okay?

The CHAIR — Yes, absolutely.

Mr SEAMER — I do not have any problem with that — and to go through the process, but I thought that in that, you had asked a specific question in June and we gave you a specific answer which I felt covered off that point, but if I am missing something or if there is an expanded point, I am happy to follow that through.

Mr GUY — Can I just ask: the material provided, is it a summary or is it all of the material that was provided by the consultant, not a précis or a summary — that is, everything?

Mr SEAMER — You have a copy of the SGS report that was — —

Mr GUY — Not just the SGS, the other stuff, everything.

Mr SEAMER — What was the other stuff?

The CHAIR — The material that went to government.

Mr GUY — That is what we asked for in this committee.

Mr SEAMER — In regard to affordability?

Mr GUY — The material that was provided to the minister in regard to affordability, in regard to the way the GAIC was established, the options given to government — everything.

Mr TEE — Hang on a minute, that is not what the letter said; that is not the request.

Mr SEAMER — No, that is not what you have asked for.

Mr GUY — No, that is what we asked for in the hearing. You might have been asleep, but that is what we asked for in this hearing.

Mr TEE — No, I am just reading from our letter of 23 June. That is not what we asked.

The CHAIR — Mr Guy, Mr Tee — —

Mr GUY — No, no, go back and look at the Hansard transcript.

Mr TEE — I am just telling you what we asked him in writing by way of follow-up.

Mr GUY — Flick through and have a look in the Hansard transcript.

The CHAIR — Gentlemen, when you are finished.

Mr TEE — We asked him for specific material, and that is what he has answered.

Mr GUY — No, that is not what we asked for.

Mr TEE — It is what is in the letter.

Mr GUY — Look at the Hansard transcript.

The CHAIR — Mr Tee, Mr Guy! Order!

Mr GUY — Hansard.

Mr TEE — Letter.

The CHAIR — Mr Seamer, the undertaking you gave on page 12 of the transcript with respect to obtaining the minister's approval to provide to this committee whatever you had provided to government, those are the documents that the committee was seeking by way of this request. If the letter from the secretariat was unclear about that, I apologise, but what we were seeking with respect to this matter was the advice that went to government if the minister agrees to it.

Mr SEAMER — Because I do not want to get this wrong, I would just like to be quite specific, because what you have asked for in the past is not this broad-ranging. You are asking for specific, I thought it was, consultancy work in regard to the affordability issue and how it would impact the \$10 000. I believe we have given you that material, but what Mr Guy is saying is something different; that is all.

The CHAIR — Yes, I understand you have given the SGS material, but what we are seeking — —

Mr GUY — I will go and find it for you in the Hansard transcript. It is not different. Again, you all might have been asleep, but it was very clear.

The CHAIR — Mr Guy. What we are seeking is the advice that went from GAA to government.

Mr SEAMER — On?

The CHAIR — On the issue of affordability and the \$10 000 estimate.

Mr SEAMER — Advice from GAA to government on affordability.

The CHAIR — What we are seeking is a copy of that advice that went to government, if the minister is agreeable to provide it.

Mr SEAMER — Certainly; okay. The gist of it is what you have, the only consultancy report you have. I will go away and I will check line and verse about what was actually provided through to the minister's office. I will check with the minister's office in regard to their view about that, and I will come back to you in the near future about that.

The CHAIR — Thank you. With respect to the \$10 000 figure, having read the SGS advice that GAA received, that is the basis on which the \$10 000 figure has been used, that SGS advice?

Mr SEAMER — The basis of the \$10 000 figure is what is set out in our letter of 29 May. The SGS work was a different approach to the same issue. They were basically trying to assess historic patterns of value against supply. The work that the GAA was doing was approaching the same topic from a different point of view, which was actually building up from the point of view of holding costs and things like that. Broadly the figures came in roughly together. I think the SGS figures were \$10 000 if there was a two-year saving and our figures were probably a little higher than that, but we brought them back to \$10 000 per block on the basis of what we had was what we saw as a conservative analysis. So the basis of the figures is the GAA figures, but the sort of work that SGS did broadly reflected that type of outcome. There is a huge number of factors that affect affordability, and you cannot just pull out one or two of them to come up with the answer. If it is the job of the GAA to try to make an estimate of those, that is what we have done and that is what we have given to you.

Ms BROAD — Thank you for your evidence today, Mr Seamer, and your responses to the committee's request. Could I follow up particularly in relation to your response which refers to the impact of the growth areas infrastructure contribution levy on housing affordability? Housing affordability is a matter of great importance. In your response you have drawn the committee's attention in particular to the report of the Productivity Commission on first home ownership, which as I understand it canvassed housing affordability in a very detailed way, including first home buyers. Could you elaborate for the committee how you believe that report supports the view that the authority has taken in relation to the impact of developer contributions, levies in general, on housing affordability and in particular how it relates to what is proposed for the growth areas infrastructure contribution levy?

Mr SEAMER — Thank you, Ms Broad. The Productivity Commission's report I think was a fairly major driver for the decisions even before the creation of the Growth Areas Authority, but it has certainly been fairly fundamental in the philosophy underlying the introduction of some form of charge to offset part of the cost of the infrastructure involved. The Productivity Commission concluded effectively that the impacts of any levies like this are fairly minor in the bigger picture of things and the positive values of getting infrastructure in a bit earlier probably would outweigh the affordability impacts. I will not dwell on that particular point, but they were clearly of the view that the major drivers of the affordability related to other areas. Just to quote:

Cheaper and more accessible housing finance is a central part of the story.

... a halving of the interest rate almost doubles the mortgage potentially obtainable ...

I think if you look at what happened in Australia around the time that mortgage rates were going down — going back since 2000 — the issue of the actual availability of finance is probably one of the biggest drivers, plus a few other things, like immigration, demand and things like that. One good thing that came from the Productivity Commission's report was that this is a charge that does go under the process but its impacts are not that significant. That is one of the conclusions that was drawn.

Ms BROAD — Thank you for that response. On the matter of what are the drivers, then, of housing affordability, which the committee has taken a keen interest in — and it is seeking to place the growth areas infrastructure contribution levy in that context — there are also inquiries and responses from you in relation to

supply of land in the growth areas. I think it would be fair to say that in addition to supply of land housing diversity is also a key factor in housing affordability.

Mr SEAMER — Yes.

Ms BROAD — We have certainly seen in existing urban areas major impacts on affordability as a result of lack of housing diversity for young people seeking to establish home ownership or, for that matter, older people seeking to downsize and remain in the same area where they have spent a great deal of their life. In terms of those factors in housing affordability can you indicate for the committee's benefit, further to the responses you have given to the committee, how you see those factors and how you see them particularly in relation to the levy impacting on housing affordability?

Mr SEAMER — As I said previously, there is a wide range of drivers for affordability, some of which are in the control of the GAA, the state government and councils, and some of which are not. The sort of things that are in our control are things like the type of planning we do and the type of houses that are created. In one of those letters I sent you I provided to you an averaging of what sort of densities are being achieved in the growth areas. Now the sorts of densities being achieved are in excess of 15 per developable hectare, which is a target, if you like, on average. It is good to see that happening. In fact it has got to the point that while it is being driven by the planning industry, if I could use that term, it is also being driven by home buyers now, because there are changes in people's desires about what they want to buy. People are making decisions about smaller homes.

One of the other issues — this is slightly peripheral, but I would like to make the point if I can — is that you used the words 'variety' and 'flexibility' in terms of what sort of houses we want to supply. I think that one of the biggest issues for the GAA is to have a whole range of different housing types that suit a whole range of different people's needs. They will be the single-bedroom units and they will vary up to what we see as more conventional housing. But what we want to do is get the average density to a higher level. That is currently being achieved, and I see that continuing to accelerate both through planning policy and also through just people's desires about what people want to buy these days. It seems that people do not want their Victa out every Saturday afternoon any more and they are looking for a different sort of product out there.

In regard to where all this fits in, we understand that in the work out there of the Productivity Commission in particular but also the work of the Australian Housing and Urban Research Institute, AHURI, they actually talk about some of the key drivers. Some of the things that they talk about are difficulties and delays in obtaining planning approvals and things like that. That is why the GAA — the government is telling us to do it, and I suppose the GAA is trying to do it — is trying to accelerate planning and get a streamlined planning process in place. As to where that is up to, I have shown you the sorts of planning that we want to do. We want to improve the quality of planning, but we also want to improve the timeliness of it. I have shown you what our plans are and how we think that will happen and how we will get to a point of achieving the government's targets which, if I recall correctly, are also the targets set out in the Productivity Commission's report. I would actually have to check that point, but I do believe they are the same targets. What we are trying to achieve is basically a better supply of more varied housing.

Then of course there is the whole topic of what our new suburbs look like. We have done a lot of work on new guidelines for what will go into new suburbs. I am hopeful that the minister might be in a position to launch something on that in the future. We are trying to achieve more variable suburbs; suburbs that are far more sustainable than they have been in the past. One of the issues we get most fired up about — and our chairman is the strongest of anybody on this — is the issue of how to get employment into the growth areas in a much more local way. If you go back 30 years, we were creating dormitory suburbs. The aim of the GAA is never to create more dormitory suburbs; it is to create full suburbs that have the full, varied range of things we all need in our local areas — from trendy little cafes or whatever people want to proper jobs of a varied nature, to schools that are accessible, to footy ovals that you do not have to drive halfway across Melbourne to go to because these things are actually provided more locally. That is one of our big aims, but it will not happen overnight. Hopefully planning guidelines will assist in that, and that is something we are working on at present.

Ms BROAD — Can I ask you to draw out particularly then — given that the focus of the committee's inquiry has been significantly around the matter of how much impact the levy would have on housing affordability — how you would rank the levy in relation to housing supply and density, which are two factors you have referred to. I am not asking you to quantify it, but to put it in relative importance.

Mr SEAMER — Okay, I am with you. If you are talking about developed land supply, if you can cut, for example, a couple of hundred square metres off a typical housing block, that will be far more valuable than the cost of a levy — if that is where you are leading to. The really big drivers of housing will be a range of factors, including, as I said before, interest rates and supply. As you know, if you have an inflexible supply regime, when there is a sudden surge in demand prices go up very quickly. What we are trying to do is cover off a whole range of things. In comparison, a levy of the sort being talked about would not be as significant as those other items. I would have thought that the benefits of streamlining the regime, as just one point, would be greater than the costs of the levy.

There is also the issue of at what point the levy gets applied. While there is no particular really strong piece of work I have been able to find on this, would it be offset against a potential profit on land, or would it be charged right at the end of the process so that effectively it would be paid for by the homebuyer? Presumably the earlier you can move it the more benefit it will have. That is just another issue of us trying to reduce the impact on the homebuyer.

Mr BARBER — If we are charging people \$80 000 to \$90 000 per hectare and, as you are saying, it is coming out at about 15 lots per hectare at the end of the process, is it fair to say that this charge equates to about \$6000 or \$7000 per lot at the end of the day?

Mr SEAMER — They are slightly different, because one of the areas is measured as a net-developable hectare and the other one as the area zoned UGZ, and there would be a slight difference between those. Other than that, how much it is would be a simple matter of division.

Mr BARBER — In New South Wales they have their charge, which I think is about \$25 000 per lot, and they claim that covers about three-quarters of the infrastructure at each development plus the land on which schools and police stations might get built, but not the actual buildings themselves. Have you done any similar analysis to work out what proportion of infrastructure this thing is likely to cover?

Mr SEAMER — In terms of the state infrastructure requirements — not including things like the regional rail link or the freeways, not including water supply and all those sorts of things that are done by the utilities and not including the things that are part of the council charges, which are in fact in excess of any potential state charges — we have estimated that the figures would be roughly around 15 per cent of the total state charges. Presumably that other 85 per cent would be paid by the wider Victorian community and the 15 per cent would be paid either by the people selling the land, through a GAIC-type structure, or by the developers and/or homebuyers, through something applied later in the regime.

Mr BARBER — Even if you have done that exercise and you say 15 per cent, the question still remains: 15 per cent of what? What are we talking about in relation to the infrastructure? If you could give us some more information on that, I would be happy to receive it. Obviously you cannot necessarily compare New South Wales and Victoria, depending on what infrastructure we are delivering.

Just to jump around a little bit, though, in relation to the proposed freight handling interchange up in the Beveridge area, which was in your chart before, can you tell me what GAA's role is in planning for that?

Mr SEAMER — While GAA has had a peripheral role in regard to the planning work for that, this is essentially a piece of planned future transport infrastructure that is being driven by the Department of Transport and incorporated into the broad level plans by DPCD. While the GAA is certainly aware of it and our staff, along with the staff of the other departments, have been involved in it, any questions about that would have to be addressed to the DOT. It is not really something for me to comment on if for no other reason than a lot of people know a lot more about it than I do.

Mr BARBER — Yes. But I am asking what your role is in the planning process. What parts of your work interface with this particular development?

Mr SEAMER — Presumably after the government, approved by the Parliament, makes decisions about a UGB shift, framework planning and in particular PSP planning will be required for different areas. At some stage or another, depending on government priorities about its freight handling, it would be the GAA's job to undertake a PSP for that area. Presumably that would be some time down the track.

Mr BARBER — Yes. But is your assumption that the government is the proponent of this project?

Mr SEAMER — The government is the high-level planner of this. If you are asking who will be the owner and who will be paying for the tracks and all that, that is not something I can comment on. We are not involved in issues on that side of the equation.

Mr BARBER — So you have not been made aware that at some point there will be something like a public acquisition overlay to acquire the site for the purposes of the government to propose it?

Mr SEAMER — We have not been actively involved in the process of the mechanisms behind that. Those sorts of processes are available to government if they choose to use them. From the GAA's point of view in particular, we are a mid-to-high-level planning authority, but that very big freight work is DOT work. You would have to address that question to them.

Mr BARBER — It is just a big blob on your map at the moment?

Mr SEAMER — It is a big blob on the government's map at the moment; correct.

Mr BARBER — Back on to the growth areas infrastructure charge, I am still struggling to get clear in my own mind a number of variables associated with the increase in the value of the land. There is the amount of the uplift from the valuation of the land at the time the government intervenes to the time it is first sold, and there are some arguments about what that multiple might be. There are obviously some variables around the percentage of the land that could be developable — there are floodways and so forth — and there must also be a variable associated with the timing, as to whether that land will get its PSP and be developed in a few years, in 10 years or in 20 years. With all those different variables that I have mentioned, is it fair to say that the rate at which the tax will be levied — from the point of view of the person who has to pay it — could vary by anything from 40 per cent to 60 per cent of the increase in value?

Mr SEAMER — Without wanting to put a particular figure on it, yes, the rate, presumably having a flat levy which relates to the cost of the infrastructure involved, so that is one of the reasons why it is flat, would vary as a percentage of the value uplift.

There are two ways of looking at the percentage uplift. Firstly, there is the percentage of the total sale price; the other way is how much somebody who owns land gets a percentage uplift on their land. They are two quite different things. For example, if you have very expensive land, you are likely to have a smaller percentage of a GAIC-type structure taking out of the final sale but a smaller value uplift. If you have got land that starts at \$300 000 and goes to \$600 000 or something, it is going to go up; whereas if you have got land that is in the outskirts of Hume, the northernmost point or something like that, what you will find is that there presumably would be a higher percentage of the final sale, but a greater percentage increase in the actual value of land that would go up. There are two sides to that particular coin and putting the figures on it, it will vary, and both of those will vary.

Mr BARBER — I expressed it in terms of the latter, in terms of the valuation uplift.

Mr SEAMER — Yes.

Mr BARBER — So are you happy to acknowledge that as a proportion of that, the tax could vary from 40 to 60 per cent, and that is the phenomenon that we are trying to tax here, okay?

Mr SEAMER — They are your numbers, but the principle is correct.

Mr BARBER — I am asking for your numbers, I suppose, because you had Charter Keck Cramer do an exercise which you have referred to. Have we got a copy of their report?

The CHAIR — No, I do not believe we have.

Mr SEAMER — On the valuation uplift, you are seeking from what the value was, say, before the UGB was drawn, to what someone might sell it for after it was included in the UGB?

Mr BARBER — Recognising valuation is a concept, it is not like a sales data — but, yes.

Mr SEAMER — Yes. Could I take that on notice and come back to you, because I do not want to speculate about numbers without having a think about it? I would like to do that, if it is all right.

Mr BARBER — Sure, but I presume you must have collected, or Charter Keck Cramer collected, data about valuation versus valuation, or even sometimes sales versus sales, and if we had all the information on a kind of frequency histogram and applied \$80 000 or \$95 000, it would be pretty clear to see what the variation in different effective rates of tax would be.

Mr SEAMER — Correct.

Mr BARBER — Is that an exercise that you did along the line somewhere?

Mr SEAMER — We have obviously done some work along those lines. Everyone knows there was a Charter Keck Cramer report done very early on which looked at the value of land inside and outside the UGB. That data is collected on the basis that it is site specific. It cannot be released in that form. If it were to be released, it would have to be re-done on a different form and then put out. We would have to prepare a special report to actually put out generic data, and we try to monitor current sales.

There was an interesting sale the other week — there are not very many of these big broad-hectare sales — where Stockland bought some land in Leakes Road, Truganina, and that sold for \$450 000 a hectare on the basis that the PSP was in place; that gives an indication of the sorts of values. The underlying value for that land, without wanting to be too specific, was probably around \$20 000 a hectare. So the valuation increase, when that goes through, which is probably a year or two away, is fairly significant.

Mr BARBER — But that is another variable, is it not, the size of the plot?

Mr SEAMER — It is not so big. A lot of people talk about that. There are lots of variables, do not get me wrong, but I do not know that the size of the lot is that significant an issue. I think there are a whole lot of other factors that are far more important. It does not matter for the point of today's discussion, but I know that one is often raised and I do not see it is that big an issue.

Mr BARBER — In this sales data that you analysed, or valuations data, how many different sales or valuations did it cover?

Mr SEAMER — I believe they had taken into account all of the relevant sales that they had information on for a period of time, but as I say, these are bigger broad-hectare sales inside and just outside the UGB. There were not that many of them. I do not know the exact number, but you are not talking hundreds; and you are not talking tens either, so there might be 30, 40 or 50, I do not know, something like that. I would have to check to give you an accurate figure of what that number would be.

Mr BARBER — You have referred to the work in one of your fact sheets. If we are able to see it or understand its basis, as it is, I suppose, almost a central question here, that when we are taxing a certain phenomena, then we want to understand what the effective tax rate is. If that is different for every person, then there is an equity issue to be addressed.

Mr SEAMER — Yes. There is the flipside of that which is that the actual cost of undertaking the infrastructure to make the land available for development is not so much — —

Mr BARBER — It is the same for everybody.

Mr SEAMER — It is the same for everybody, so there are two ways of looking at it, but those issues are not an issue for the GAA. They are more an issue for others.

Mr BARBER — You referred to draft legislation, so does that mean it has been drafted, or you have played a role in drafting it?

Mr SEAMER — The role of where draft legislation may or may not be up to is an issue you would have to raise with the minister. We are aware that there is work going on about that, but it is not my job to respond to legislation.

Mr BARBER — You refer to draft legislation in your fact sheet, so it makes it sound like there is a draft bill sitting somewhere. I presume you are clarifying it is more about inputs to a drafting process?

Mr SEAMER — I may have already answered that question, Mr Barber, I think. I do not think there is much more I can say. The issue of the drafting of legislation is not an issue particularly for the GAA. We certainly have an involvement in the more technical aspects of how it might work. We are not the people that draft legislation.

Mr GUY — Thanks, Mr Seamer, Mr Banks. Could you tell me what is the total tax take that you are expected to gain, or the government is forecasting to gain, on the current model of growth areas infrastructure charge?

Mr SEAMER — In our last letter to you we sent you the details of what that might be, and they, I believe, were reflected in the position of the government's budget this year. In the letter of 29 May I set that out. I can read them out for you if you would like me to.

Mr GUY — If you could read them into the Hansard transcript.

Mr SEAMER — The estimate for the 2009-10 year, and that was done a little bit earlier — obviously if the legislation does not go through a little bit later then those figures will not be realised in that form — was some \$84 million in the first year, some \$50 million in the second year, \$46 million in the third year, and \$46 million in the fourth year. They were the figures that were being talked about.

Mr GUY — The minister mentioned a figure at a press conference of \$2 billion over the forward estimates. Does that correlate to the figures that you have been provided with?

Mr SEAMER — I have just told you what I have provided to you.

Mr GUY — So there is no difference in figures whatsoever? The minister says \$2 billion and the figures that you are quoting which are in existence from the budget on the current model, that is all you will make out of the GAIC in four years time?

Mr SEAMER — Yes, that is the estimate.

Mr GUY — Could you tell me, has there been any final consideration as to how much of that money will be sent off or for Growth Areas Authority management?

Mr SEAMER — As set out in the letter to you, there are two different funds. The first fund is a fund that would be dedicated to presumably fairly heavy infrastructure, and the second one is a fund that is somewhat more flexible. In the government's announcement in December last year it announced that some portion of those funds may be applied to some of the Growth Areas Authority's costs. There is no more definition than that. The government also announced that it would be taking input from councils and presumably others about how the money from that second fund would be spent.

Mr GUY — Have you been provided with any definition beyond that?

Mr SEAMER — No.

Mr GUY — The government is on the cusp of introducing legislation to Parliament which would see a major portion of your authority's revenues increase, and you have not been provided with any details as to how much money you might be availed of over the forward estimate period?

Mr SEAMER — I have already answered that question, and the only comment is that presumably any moneys going to the GAA would be towards the planning costs, the PSP work, if there were to be some provided. That is an issue for government in budget.

Mr GUY — It sounds like it.

Mr SEAMER — In this year's budget there is no specific allocation made for the Growth Areas Authority from any GAIC. It is funded out of normal revenue.

Mr GUY — As a comment, there seems to be a fundamental disconnect in that sense. If the minister is talking about \$2 billion, we are talking about \$200 million and there does not seem to be any — —

Mr SEAMER — If I may, Mr Guy, I presume that any larger figure would be over a 20-odd-year period rather than that.

Mr GUY — Is the government considering any changes to the GAIC system — the timing of it — that you are aware of?

Mr SEAMER — The government is continually looking at the GAIC issue. Where the government is up to in regard to it is probably an issue best addressed to government.

Mr GUY — Have you been lobbied whatsoever or approached either by industry groups or government for a change in the methodology of the timing of the GAIC?

Mr SEAMER — I have certainly been approached by a range of people, including some of the industry bodies, in regard to different formats for a levy, yes.

Mr GUY — Has there been any material, external or internal, provided as a recommendation to government on the possible financial impact, housing affordability impact or timing impact of changing the model or the methodology of the GAIC as it currently stands?

Mr SEAMER — There was some information provided to the minister in regard to what that impact may be.

Mr GUY — Could we have a copy of it for the committee, please?

Mr SEAMER — That would be an issue for the minister, but once again I can raise the issue with the minister and see if he is comfortable to provide it.

Mr GUY — It was produced by the GAA?

Mr SEAMER — It was produced by the GAA.

Mr GUY — The GAA markets itself as an independent statutory authority, so I ask again: is there a possibility that we could have the material without it being vetted by the minister, or is the way you market yourself not an actuality?

Mr SEAMER — As you are totally aware, Mr Guy, one of the roles — probably a primary role — of the Growth Areas Authority is, with a degree of independence, to actually advise the minister. I think in the standing orders of these sorts of committees presumably one of the key things that we must do is to actually maintain our relationship of what we actually provide to the minister. I will find you the words if you like. I cannot basically sit there and make comments about information provided to the minister for his discretion. It is not my job to do that.

The CHAIR — But you will check with the minister and come back to the committee?

Mr SEAMER — I will check with the minister.

Mr GUY — At the last hearing we talked significantly about a line from your annual report, which reads:

Streamlining planning reforms are estimated to produce savings of around \$10 000 per lot for homebuyers in the growth areas.

We subsequently found that obviously that is not the case — land is not \$10 000 cheaper in growth areas — however, the material you provided to the committee did state:

The GAA has concluded that the removal of one year from the time taken for zoned lots to be available will have the impact of putting downward pressure on housing lot prices of up to \$5000.

The SGS material that you also provided went on to state — in fact, it is what you have written here — that \$5000 on a \$300 000 land package could be saved for every year that is taken out of the delay for first home buyers. You were talking to Ms Broad before about housing affordability and the necessity to put a GAIC at the

earlier part of the planning stages. Officer was brought into the UGB in 2002. My understanding is it has not had an approved structure plan brought into the Cardinia planning scheme. Would you say that government red tape, and indeed the GAA itself, has accounted for around \$35 000, on your own figures, of upward pressure on land prices to first home buyers from planning delays?

Mr SEAMER — No. The Officer project has largely been driven by the relevant council. We are working closely with them and gradually becoming more and more involved in that one. The overall price of land is not going to be determined by one specific PSP. It will be done across the whole of the market and probably on the basis, to some extent, of corridor-type activity. So you find at the moment that land prices in the Casey-Cardinia corridor are significantly more expensive than some of the other corridors. The key target for us would be achieving overall outcomes for the whole of the corridor. There are two parts to Officer; there is an employment part and there is a residential part. The residential part is presumably the part you are referring to, and we are hopeful of having something completed around the middle of next year for that. It is progressing reasonably well in a very complex environment.

Mr GUY — So let me get this right. What you are saying is that government, whether it be local, state, GAA or whatever, has no responsibility whatsoever for the delays it has incurred or it has caused in those areas — that does not matter; that is of no consequence — but there is a necessity to impose the GAIC on the land-holder because it will aid housing affordability, because the quicker that land is brought to market, the cheaper the land will be.

Mr SEAMER — No. They are your words; they are not mine. I do not agree with that.

Mr GUY — They are an interpretation of your own.

Mr SEAMER — No, that is not my interpretation in any way, shape or form.

Ms BROAD — That is your interpretation, Mr Guy.

The CHAIR — Mr Seamer is capable of answering. Mr Guy, do you have a question for Mr Seamer?

Mr GUY — If you do not understand it, I am happy to read it out for you again. I know you had trouble at the last committee hearing; I am happy to read it to you again.

Ms BROAD — It is pretty heavy verballing.

Mr GUY — I will read to you what the minister has said. The planning minister came out and said in Melton:

If you don't want your land in the UGB, please let me know, please let me know, and we won't zone.

Is it realistic from a GAA perspective to zone land out of the urban growth boundary that has been incorporated in an investigation area? Can you do it?

Mr SEAMER — I do not particularly want to comment on the minister's comments. I have not seen exactly what he said. Presumably one of the issues that we have always made clear is that if people have land that, for whatever reason, is undevelopable, then it does not have to be zoned UGZ. As to what the minister may or may not have said, it is an issue for the minister.

Mr GUY — Okay. We will forget the minister's comments, and I will just ask this of you: is it realistic to zone land out of the urban growth boundary if someone sends you a letter and asks to be taken out?

Mr SEAMER — It can be done, but whether you would want to do it or not is another issue.

Mr GUY — What processes have been put in place to achieve this aim?

Mr SEAMER — The processes are the standard planning processes set out in the planning act. There are no new processes being suggested, and I am sure you are aware of the processes that would be undertaken, Mr Guy. There is no special process particularly going on here.

Mr GUY — The planning minister in this state has made a pledge that if people want to be zoned out of the urban growth boundary — and he has made this pledge in Melton and in Parliament — they just have to write to him or to you, so I am asking: what processes have been put in place? He made the promise a month ago, so what processes have been put in place to make this happen?

Mr SEAMER — I am not aware of the minister having said that in those terms. What I will do is follow it through, and if there is a government position in regard to undertaking something, that can be looked at, but that is certainly not my understanding of where it sits at the moment.

Mr GUY — That is another fundamental disconnect. With the land prices, I note that the minister in Parliament and indeed publicly has stated that the basis of the growth areas infrastructure charge as it stands now is — and again I will use his words — that there is a tenfold gain, or a tenfold uplift, in land values that are brought into the urban growth boundary. Do you support the statement that it is a tenfold gain for land being brought into the urban growth boundary?

Mr SEAMER — In some cases it is, and in some cases it is more than that and in some cases it is less than that. This is an averaging process. There are a variety of different outcomes. As we were talking about before with Mr Barber, if you have got land that is sitting just on the outside of the UGB, you have already got a great deal of speculation on that land's value. In terms of the underlying value of land going from farming land up to UGZ land, presumably the amount of increase would be much greater than that. Then you have hobby farming land and land that is being speculated on, so there is a whole range of different values.

Mr GUY — I think you are quite right in saying there is a whole range of values. In fact I have in front of me details from an auction a couple of months ago in Officer where I note that the government claims that people will have a significant uplift in their land. It is 9 hectares, it has one house on it, and it is valued at \$1.5 million, which is \$165 000 per hectare. If we were to minus a \$95 000 GAIC from that, the owners of this property would be left with \$70 000 per hectare. I simply ask: do you have an average figure as to what the uplift increase would be of land brought into the urban growth boundary?

Mr SEAMER — How big was that property, Mr Guy?

Mr GUY — It is 9 hectares.

Mr SEAMER — In a property like that a lot of the value of the land is probably related to the house and things like that.

Mr GUY — You are not seriously telling me the dwelling is worth \$1 million, are you?

Mr SEAMER — I do not know that sale; I try and keep up with them, but I do not know that one.

Mr GUY — It is three-bedroom house with one bathroom. The dwelling is not worth \$1 million.

Mr SEAMER — What did it sell for?

Mr GUY — It sold for \$1.49 million.

Mr SEAMER — The 9 hectares.

Mr GUY — That must be one hell of a bathroom.

Mr SEAMER — Yes, it is a good bathroom.

Mr GUY — It might be like the one Tom Roper had brought into his office at the end of the 1990s.

Mr SEAMER — I am not that old, Mr Guy. I am sorry, I would have to do some figures on that.

Mr GUY — What I am asking is: does the GAA have any calculations that it has either produced for itself or given to government about the average uplift or the average value increase across the urban growth boundary in the investigation areas?

Mr SEAMER — I would have to go back, but I believe there are some figures around that show that on average the value of land outside of the UGB that was probably valued at hobby farm-type values without a house on it but which has gone to being land inside the UGB has increased by around the 10 times figure. It gets down to those Spiller Gibbons Swan figures; we would have to do some more work on that to give you an exact figure.

Mr GUY — With respect, surely in constructing a policy that is worth \$2 billion there must be some material or indication presented as to what the average uplift is going to be across certain areas and certain growth areas of Melbourne for people who are rezoned. Whether you are dealing with hardship provisions or future hardship provisions, you must have some indication of how much land is going to go up in price.

Mr SEAMER — Yes, we do have, and the sorts of figures that were talked about were the figures we put in that fact sheet. We said that from the figures we had available the range of prices, if I recall correctly, was \$225 000 a hectare up to around \$450 000 a hectare. Since that time, to my understanding, there have been some sales well over \$500 000 a hectare. I do not want to go line and verse on that, but as I recall in the fact sheet the range given was \$225 000 to \$450 000, and they were based on substantive data. That is the figure that we have basically gone out publicly with.

If you look at the underlying value of the land, if it was based on farming-type values it is nothing like \$225 000. If it was based on hobby farming, which is probably the correct underlying value, even at the \$225 000 you are probably talking about \$20 000 or \$25 000 a hectare. It is hard to bandy figures around, but they are the sorts of figures that I understand are out there.

Mr GUY — The government is marketing and indeed the GAA is saying that the levying of a GAIC on the land-holder is the fairest way of implementing this new tax. Why is a hardship panel necessary for a tax that is supposedly fair?

Mr SEAMER — The aim of the exercise is to make it fair. One of the things I have found in discussing a levy like this with the probably several hundred people I have actually spoken to about it is that everybody is in a slightly different situation. You will have on one hand the big developer or a very large landowner with very large tracts right down to someone that has a house on a quarter-acre block, and they all have their own issues. The aim of a hardship committee, which is a similar sort of structure to what they have for land tax, is to ensure that if there are some circumstances brought about that were unexpected or if someone is in a particular situation, then it is not just a flat take-it-or-leave-it approach, it is trying to look at people who really will be in hardship. I personally think it is a good thing, but it is not that easy to say whether it is a fair tax or not a fair tax. Basically, what we are trying to do is to make it as fair as humanly possible and to spread the load of the tax and to make it work as well as we can. I do not know what else I can add to that.

Mr GUY — The owners of the \$1.49 million property I mentioned before, which is exceptionally close to — in fact within a couple of hundred metres of — the Princes Highway, will pay \$855 000 in the growth areas infrastructure charge on a property that is worth \$1.49 million, which means they will take home \$645 000, which is significantly less than the tax paid to the government. Would you say that is as fair as humanly possible?

Mr SEAMER — If the underlying value of a hobby farm around that sort of area is \$30 000 a hectare or something, on a quick calculation, unless I have it wrong, those people after that are going to get \$65 000 a hectare for their land, which is pretty good. I wish someone would offer me twice as much as what my house is worth for it.

As I was saying to Mr Barber, there are two ways of looking at this levy. One is to look at the amount of the final sale price. The other way is to have a look at how much value uplift the landowners are getting and whether or not as a community we feel that they should carry some portion of the burden of the costs of making the infrastructure so that this land can be used for urban use. That is an issue which presumably you will all be involved in.

Mr GUY — With respect, if you could find land in Officer in the last five years worth \$30 000 per hectare, I think you should also look for the Loch Ness monster!

Mr SEAMER — Yes, but that is because there has been a huge amount of speculation already going on. If you want to go back to what the figures were at 2000, you will find that a great degree of speculation has already gone on and people who have had land for the last 10 years will have done very well out of the exercise.

Mr GUY — I am still questioning \$30 000 a hectare. I wonder if there is any data that you have had prepared or that you are aware of about the effect the GAIC in its current timing may have upon equity in people's properties — that is, if the property is worth a certain amount of money and the GAIC actually exceeds the amount that is paid off on this mortgage.

Mr SEAMER — Presumably the property has a value which will be dependent on whether or not a GAIC is applying to it. We have had long conversations with the banks about this issue, and their view is that right at the moment they are valuing properties without the GAIC and they are lending money on the basis that there is no GAIC, and if the GAIC comes in, they will do it on the basis that there is a GAIC. That is the feedback I have had.

Mr GUY — Do you have any of that in writing?

Mr SEAMER — I do not think so.

Mr GUY — I just say that because there are mortgage institutions, some of those major banks in the northern part of Melbourne, that are refusing people loans on the basis that they have possibly no equity left in their property as a result of the growth areas infrastructure charge. Are you or the government aware of any of those examples?

Mr SEAMER — I am not specifically aware of those examples. I have had conversations with the banks about this. Their response to me — I do not believe it was in writing — was that things would be valued on the basis of the way they sit at the moment, and if there was a change, then there would presumably be a change in the value of the land concurrent with any GAIC implementation.

Mr GUY — So despite an uplift factor there is a possibility that with the introduction of the GAIC as it currently stands people may be left with no equity in their property because they have a GAIC attached to it which is greater than the amount they have paid off.

Mr SEAMER — I do not believe that circumstance would apply.

Mr GUY — I believe that is fact.

Mr TEE — I believe in the Loch Ness monster!

Mr GUY — I am not surprised that you do. Thank you, Chair. I will have some questions a bit later on.

Mr KAVANAGH — Thank you for your presentation. Firstly, on trigger points, you mention in the documents that there are different ways of triggering a payment, or there could be: you could structure it in different ways, and it is structured differently in other states. Would it not be fairer on present landowners to make it payable at the point of a permit application rather than a sale?

Mr SEAMER — Certainly putting it at some point of development — a subdivision or something like that — will reduce the load on the land seller, but that puts the load on the homebuyer. One of the issues that we all have to consider, presumably, is how that load should be best distributed. By and large the developer passes on the charges across the bigger picture. So the person who is ultimately going to be paying for it will be the person who either sells the land or the person who buys the house. Ultimately that is how it will work out. How that gets distributed is really the issue of the timing of the GAIC. As you say, in some other states they have a state charge that does apply at the end of the process. The rate is a lot higher than we are proposing. New South Wales, I think, reduced its rate by half and brought it down to around \$175 000 per hectare — please do not hold me to task on that, but I think it is roughly that sort of figure. That is applied later in the planning process. That is double what we are talking about.

Mr KAVANAGH — Wouldn't the GAIC be built into the price of the house ultimately, whether it is paid by the landowner or the permit applicant?

Mr SEAMER — I think to some extent some of it will be passed through. The issue would be that if you have good land supply — raw land supply, if you like — and you have the levy applying at the early stage in the process, then less of it is going to be passed through than if you have a different structure in place. Obviously if there is enough land for developers to buy and they can go out and do a good deal that suits them, then it is more likely to be offset against the cost of the land that they buy than it is if it is a subdivision.

Mr KAVANAGH — The way that the GAIC is going to be structured will be a set rate per hectare, of course. Would it not be a lot fairer to make it a proportion of the value of the land that is sold rather than a set rate?

Mr SEAMER — This gets back to the point I was trying to make to Mr Barber. There are two ways of looking at this: you can either make it a proportion of the final land sale — a third of the cost or something — in which case in order to avoid people manipulating the system you would have to have it on every sale, which is the sort of structure you get around stamp duty at the moment; or you would have to charge it as a percentage of the value uplift that they have received. In the past these types of mechanisms have been very problematic. You are talking about a lot of money here. The extent of the value uplift is something that usually ends up getting brawled through the courts year after year. It has proven not to be particularly workable. The question is whether it should be a percentage of the final sale or whether it should be a percentage of the value uplift. If you do it as a percentage of the value uplift, for example, if I sell my piece of land to Mr Banks, who happens to be my brother-in-law — not in this particular instance, I might add — you actually pass it on. There are all sorts of things you can do to manipulate the system, and these sorts of structures have not worked very well in the past.

The other point is that the cost of providing infrastructure, ignoring the cost of land, can be said to be something that should be evenly distributed. It does not cost that much more to provide so many rail lines and so many freeways and things like that in Casey than it does in Wyndham. Therefore people should pay the same amount, because they cannot develop their land unless the community puts its hand in its pocket and actually buys that stuff. There are different ways of looking at it. I am not trying to say what the best is. That is an issue that obviously is going to be a discussion that you will be involved in. I think there are certainly arguments that can be put that say an earlier charge does have a lot of equity associated with it.

Mr KAVANAGH — You would recognise, though, that a standard amount per hectare imposes a relatively much greater burden on people in Melton — in Wyndham, probably — than in other more expensive areas of the state.

Mr SEAMER — Yes, but they will probably get a higher percentage value uplift than the others, because their starting point for their land is actually considerably lower at the present time.

Mr KAVANAGH — Mr Guy read to you a quote from Mr Madden which I think it is fair to say he passionately denied in the chamber last week. He said that the promise he made was to consider leaving people out of the growth boundary if they requested it. A lot of us have had requests from people asking to be left out of the growth boundary, possibly because of the effect on rates that that inclusion would have. You have said that nothing has been done to facilitate that, but would it be possible for a landowner who has land brought within the growth boundary to his north, south, east and west to decide he will not be brought within the growth boundary and to be left out of it? Is that a practical option?

Mr SEAMER — Mr Kavanagh, it is not my job to comment on what the minister may or may not say. Within the planning act, that is possible.

Mr KAVANAGH — It is possible. So you could have one person — on a farm surrounded by residential areas all around him that are within the urban growth boundary.

Mr SEAMER — It is possible within the act, yes.

Mr KAVANAGH — You have said that the purpose of this tax will effectively be to pay for 15 per cent of the infrastructure cost. Is a 15 per cent solution worth it? Would it not be better to just forget about the whole thing and get everyone to pay 100 per cent instead of 85 per cent?

Mr SEAMER — It would make my life a lot easier, Mr Kavanagh, I can assure you. I think the moneys are not inconsequential. The government has, I think, made some very powerful decisions in regard to infrastructure

supply. I think the community's expectations are, 'We are no longer to get a dormitory suburb, and over the next 50 years we are going to get our services provided'. I think in this way they — we, the government or whoever — are seeking to find a balance between who should be paying for this infrastructure. I probably do not have any further comment to make.

Mr TEE — Mr Seamer, during your presentation you talked about the strategic assessment of biodiversity. I am wondering in terms of native vegetation and environmental value what work has been done, what has been the involvement of the authority and where is that process and work up to?

Mr SEAMER — Obviously biodiversity is increasingly, as each year goes by, a more and more salient issue for everybody involved in the planning industry. The Growth Areas Authority's view about this is that it has to be handled in a professional and strategic manner. One of the things that has happened in recent times is that the work of the biodiversity experts in DSE and the work of the planners at GAA are basically being integrated into the PSP — the precinct structure plan process. We aim to find out in detail what is out there. In doing so, when we do our PSP you will actually have issues of biodiversity and for that matter cultural heritage issues sorted out, so that when a PSP is done there is clarity for developers, landowners and everybody else about what can be developed and what cannot be developed.

There is a very big saving, I might add, to landowners and the development industry in that, because we are effectively doing the work for them. Funding has been provided by the state government and also by the federal government for us to do this. I think this a bit of a first around Australia in this sort of thing. What we are trying to do is to actually take what is a very complex issue and do it professionally, do it once and do it properly so you do not end up with these situations where you have developers and landowners having argy-bargy with people over the next 10 years. As well as that we are ensuring that we have proper biodiversity protection, which I think has been somewhat problematic in the past.

Mr TEE — In addition to then having a clear assessment of what is out there and what needs to be protected, the other outcome would be a greater degree of certainty both for buyers and sellers in terms of the value of their investment.

Mr SEAMER — Absolutely. The issue of certainty has been a major driver for the GAA in everything we do, including issues like levies and things like that to actually give people a clear knowledge about what they are up for and what it is going to cost, because at the moment there is a lot of inbuilt cost in the development process about uncertainty, about how long it is going to take, what they can and cannot build, what biodiversity issues there are, what levies they are going to have, are they going to have a fight with council over the section 173 agreement and all those things. Our issue has been to try to provide certainty, which takes time out of the process and also means that the people developing the land do not have to set aside so much for risk.

Mr TEE — Thank you. That is all I need.

Mr BARBER — Just on the issue of the council contributions and the section 173 that you brought up, are there discussions in the wind that you have been part of that might change either the council's ability to levy those moneys or an overall shift in the share, if you like, between the GAIC and council levies?

Mr SEAMER — There have been substantive discussions in regard to the nature of the levies that councils put on development, which we are working through with the councils — we are only talking about the six growth area councils — and with the development industry, with the UDIA and the others. What that work seeks to do is to give certainty and to tie down what is very much an open-ended system at the moment that has section 173 agreements which are very one-sided. It has the DCP structures, which are horribly complex and not working particularly well, and are also a major source of delay through panels and other processes.

However, one thing it does not seek to do is to try to make a shift between who pays what. What we are trying to do, however, in consultation with all the different parties is to write down — tie down — exactly who pays for what, because there is still uncertainty around this. It seems strange in this day and age that you can go to one council and this will be part of state works, and you can go to that council and this is payable by council or by someone else. We are trying to get clarity around that. That work is not complete yet. We have been working with the councils and with property-related bodies in regard to that.

Mr BARBER — Of course the minister can promulgate a guideline under that DCP section of the Planning and Environment Act. It is not completely open to the councils what they charge. There is a section in the Planning and Environment Act that lays out both the power to do it and also the guidelines that can be constructed around that. Are you saying there has been progress on — —

Mr SEAMER — Better definition of that work.

Mr BARBER — Between councils and developers?

Mr SEAMER — We are working that through with both parties.

Ms BROAD — My question actually follows on from the matter that Mr Barber raised. In earlier comments about quantifying the impact of the growth areas infrastructure contribution on housing affordability you made reference to local government levies, and I have certainly had some experience of some of the controversy that can arise around local government levies on land-holders for things like road sealing and channelling. Could you provide some further advice to the committee about quantifying the impact of local government charges and what sorts of comparisons can be made in terms of the relativities with the growth areas infrastructure contribution?

Mr SEAMER — On average if you take the monetary contributions, the in-kind contributions and the land contributions from council, they would be well in excess of the sorts of figures being talked about for the GAIC. They are charged in various shapes and forms at a later time in the process, so they are charged more at subdivision. However, in quantum they would be significantly more than the amount being charged for the GAIC. Of course they vary considerably, and our work is to try to define that better, make it clearer and let everybody know what they are up for in advance — for the council, that is.

Ms BROAD — Yes, thank you. Just to take that a bit further, you referred to the fact that the sorts of infrastructure that the growth areas infrastructure contribution would be making a contribution to could be characterised as, if you like, basic infrastructure. Would it be fair to say in relation to local government charges when they are levied that they would include infrastructure which might include community facilities, public open space and a range of further — —

Mr BARBER — Necessities of life.

Ms BROAD — I am quite happy to accept that, Mr Barber. They would include necessities of life that certainly communities might expect and think is reasonable to expect in this day and age compared to subdivisions in the 1950s. We are then going beyond, if you like, the basic infrastructure which the contribution — the GAIC — makes a partial contribution towards.

Mr SEAMER — Yes. In the second fund within the proposed GAIC there is capacity for councils and others to seek funding for other items that would probably not be just heavy transport in nature if you like. Certainly a lot of the value of the council levies goes into land for footy ovals and all that sort of stuff, particularly where the land is very expensive. The whole of the council charges are for Mr Barber's necessities of life which come heavily into that area. I think if you go out and have a look at the growth areas now, whether you go to Caroline Springs or to any of the others, you will see that the quality of infrastructure that is going on is very different to what was going on 20 years ago, and that is a very positive outcome. That has got to be balanced against affordability and all the other stuff, and that is what is trying to be achieved.

Mr GUY — One of your releases states that the GAIC will also not apply to land that is undevelopable. As you would no doubt be aware there are instances of land that is deemed undevelopable later in the stage around PSP level and just before — land that is deemed undevelopable at that stage of the cycle. There must be a situation that will then arise where people will have paid the GAIC on land believing it is developable, and they will get to a stage later in the process when it is then deemed undevelopable, and thus the GAIC would not have been paid if that had been set out at that stage. Is there a system in place for refunds for people who have paid GAIC on land that is then deemed undevelopable, or was it payable at the time?

Mr SEAMER — No, there is no system in place for that. The GAIC was actually set in comparison with our interstate colleagues at a fairly low level, in that we actually assumed that there would always be some degree of mismatch, but only a few per cent around that particular item. What is very important with that work,

particularly with native vegetation and the preplanning for transport corridors, is that we are clearly able to identify early on what is going to be UGZ land that the charge will be applying to and what will not. The aim of the exercise is to provide certainty early on, and then that would not become an issue later on.

Mr GUY — If, as you say, there must be some degree of mismatch, surely it is completely unfair, whether it is \$2 or \$95 000, that someone is paying a tax on land they did not need to pay a tax on. We might be talking about a land-holder who has 10 hectares, so that is one-tenth of the entire GAIC they have paid. Surely there must be a process that needs to be put in place for people to be reimbursed GAIC moneys if their land is then deemed to be undevelopable at a later stage. Has the GAA considered that at all, or has it been part of your conversation with government that land may be deemed undevelopable at a later stage?

Mr SEAMER — At this stage there is no proposal to undertake what you are suggesting.

Mr GUY — Right. We talked earlier about the land value uplift, and again in one of your releases you state, correctly, that rural land inside the UGB — and in this case it was in Cardinia — had a three times greater uplift than developable land or land that had been zoned for development, which had the tenfold uplift. Would it be fair to say that the majority of small parcel landowners who will be brought into the urban growth boundary will actually have land that is zoned rural land as opposed to land that is currently zoned for development?

Mr SEAMER — Can you run that past me again?

Mr GUY — Okay. At the moment we have a number of people who will be brought into the urban growth boundary area. They are small parcel landowners, and their land is zoned rural.

Mr SEAMER — Most of it would be zoned green wedge. The only area that will be zoned rural — if the UGB moves into it — will be Mitchell.

Mr GUY — But it is not zoned for development?

Mr SEAMER — No. It is zoned green wedge.

Mr GUY — In Cardinia, as you correctly state, that land brought into the UGB had a three-times uplift in value, not a ten-times uplift in value. I just want you to confirm that in fact it is land that is zoned ready for development — development-ready land — that has a tenfold uplift in value, and further that the majority of people, small parcel land-holders who will be brought into the UGB, in fact will have their land zoned either green wedge or rural and not zoned subject for development.

Mr SEAMER — The major point for the uplift in land is the drawing of the UGB. A typical ten-times value uplift would be on land that went from being hobby farm land to land which is ready to be developed. But the biggest point of the uplift will be the actual drawing of the UGB. That is the information.

Mr GUY — Right. Just in conclusion — and I may have asked this in the last hearing, but I will ask it again — the decision to implement the GAIC as a flat tax was made on whose recommendation? Was it your recommendation to government, or was it government coming back to you with their recommendation as to what would be implemented?

Mr SEAMER — I believe that when the government made its announcements in 2005 it was talking about a flat rate. I was actually in Sydney at the time, so it was not me, and I do not think the GAA existed at that time.

Mr GUY — That is all I need to know. Thank you.

The CHAIR — I have just one question, Mr Seamer, before we wrap up. If you accept the notion of the uplift associated with the UGB, does that also imply that at the time the UGB was introduced land that was excluded from the UGB suffered a decline in value relative to land which was included in the UGB?

Mr SEAMER — I do not have any figures around that. I would not have thought it would go down very much unless people were assuming it would go into the UGB, not just in valuation but in actual sales, and people had speculated on the fact that it would go through but it did not come about. I do not have any data that

I can think of that talks about valuations on land that was outside the UGB and stayed outside the UGB but might have almost come in. I do not believe I have any data, if that is your question.

The CHAIR — Essentially it is, yes.

Mr SEAMER — I do not believe I have any data on that particular circumstance.

The CHAIR — Thank you, Mr Banks and Mr Seamer. The committee appreciates your evidence here this morning. There are a number of matters that we will follow up in writing, which will be noted in the transcript. We will have a draft of the transcript to you in the next couple of days for any corrections. We appreciate your presentation and your second appearance.

Mr SEAMER — Thank you very much.

Committee adjourned.