

T R A N S C R I P T

SELECT COMMITTEE ON VICTORIA PLANNING PROVISIONS AMENDMENTS VC257, VC267 AND VC274

Inquiry into Victoria Planning Provisions Amendments VC257, VC267 and VC274

Melbourne – Tuesday 29 April 2025

MEMBERS

David Ettershank – Chair

David Davis – Deputy Chair

Ryan Batchelor

Gerogie Crozier

Michael Galea

Sarah Mansfield

Bev McArthur

Aiv Puglielli

Sheena Watt

WITNESSES

James Brooks, Economist, Committee for Economic Development of Australia; and

Dr Peter Tulip, Chief Economist (*via videoconference*), Centre for Independent Studies.

The CHAIR: Good morning, and welcome back to the Select Committee on Victoria Planning Provisions Amendments VC257, VC267 and VC274. We are going to move into a session now with the Committee for Economic Development of Australia and the Centre for Independent Studies.

Can I firstly just note to the witnesses that all evidence today is protected by parliamentary privilege as provided by the *Constitution Act 1975* and provisions of the Legislative Council standing orders. Therefore the information you provide during the hearing is protected by law. You are protected against any action for what you say during this hearing, but if you go elsewhere and repeat the same things, those comments may not be protected by this privilege. Any deliberately false evidence or misleading of the committee may be considered a contempt of Parliament.

All evidence is being recorded. You will be provided with a proof version of the transcript following the hearing, and transcripts will ultimately be made public and posted on the committee's website.

For the Hansard record, can you please state your names and any organisations you are appearing on behalf of.

James BROOKS: I am James Brooks, and I am appearing on behalf of the Committee for Economic Development of Australia.

Peter TULIP: I am Peter Tulip. I am Chief Economist at the Centre for Independent Studies.

The CHAIR: Welcome, and thank you very much for appearing on what I know is very short notice. Could I ask each of you to make a short statement of between 5 and 10 minutes, preferably at the 5-minute end. That will give us some time for questions.

James BROOKS: Shall Peter start?

The CHAIR: Peter, would you like to kick off?

Peter TULIP: Sure. As background, in my career I have published a number of academic research papers on Australian housing policy, focusing on the importance of planning restrictions, which is a topic that is at the heart of this inquiry, so my opening remarks will focus on that.

The legislative changes examined by this committee are intended to allow more building, which will increase supply and make housing more affordable. A large body of research supports this policy. Specifically, it identifies planning restrictions as a major reason housing is so expensive in cities like Melbourne. The legislative amendments are a clear and direct expression of this research. They will make housing in Melbourne more affordable, and so they should be supported. As an example of this research, the New South Wales productivity commission estimates that height restrictions raise the price of Melbourne apartments by 19 per cent or \$128,000, and that is an estimate in line with a wide range of other evidence. I asked the secretariat if they could circulate a handout, which I hope you have in front of you.

The CHAIR: Yes, we have those. Thank you.

Peter TULIP: The top chart in that handout shows planning permits in Auckland, which is one of the clearest and most interesting examples of planning reform. In 2016 Auckland allowed higher density building in about three-quarters of its residential land, and as shown by the red dashed line in the chart, construction in those areas soared. Meanwhile in the areas that were not rezoned, which are shown by the blue line, construction remained flat. And the chart below shows the effect that that had on rent. Over the same period that higher density housing was booming, rents in Auckland, which are shown by the blue line, were fairly flat, even though they were rising very quickly in the rest of New Zealand, shown by the green line. And formal statistical modelling of these relationships estimates that the rezoning reduced rent in Auckland by 28 per cent relative to other New Zealand cities. What is especially interesting is the red line, which shows rents for tenants

on low incomes, who benefited the most. And again, these results are in line with a large body of other research.

I am aware that some submissions to this inquiry dispute this evidence. For example, Charter 29 says that rezoning will not make housing affordable. I think claims like that should be viewed the same way we view the critics of research on climate change or vaccination or the health effects of tobacco. This supply denialism is a fringe position not supported by the evidence. Countless studies find a large effect of planning restrictions on housing affordability, and I have actually helped write several of those. In the CIS submission we list over a dozen surveys of the research, all of which come to similar conclusions. I will quote just one of those, by Emily Hamilton of George Mason University:

...there is a strong consensus among economists that ... land use regulations are standing in the way of new housing construction and are causing high and rising prices.

The criticisms such as those of Charter 29 I think are just simple misunderstandings that are not taken seriously by people who have looked closely at the data. For example, they are not even discussed in the surveys I just mentioned. Just one objection, because it relates to my earlier comments: Charter 29 says that 'what works in Auckland won't work in Melbourne,' apparently because of differences in tax or banking or something. That argument does not logically follow, but maybe more importantly, Auckland is not unique. We have seen planning liberalisation deliver more affordable housing in Zurich, Lower Hutt, Minneapolis, Edmonton, Tokyo, Houston, Sao Paulo and many other cities. We give citations for each of those cities in the CIS submission. I guess it is logically possible that planning liberalisation works in all of those other cities but not in Melbourne, but I think you would need to see a compelling argument for that before basing policy on it.

The CHAIR: Mr Tulip, I am going to ask you to wind up your comments if you could. We have got a lot of questions as well.

Peter TULIP: Sure. In the previous session there were some questions about requiring affordable housing, which is often called mandatory inclusionary zoning. There is research on that, and we discuss it in our submission. In very brief, that research says that the policy is well meaning but counterproductive. It is a tax on development and reduces supply, and we can deal with that in the Q and A session. But the clear thrust of the research is that it hurts more than it helps. I am happy to turn to questions.

The CHAIR: Thank you very much. Mr Brooks.

James BROOKS: Okay. Good morning, Council members. I am here to give evidence today on the impacts of the broader economics of what is being considered, maybe through a mechanism which has not been considered yet, which is through the productivity of the construction sector. Firstly, where I am coming from is CEDA, a think tank made up of over 400 corporate, government and non-profit members, founded in 1960 as a body which would bring economists and business and community leaders together with policymakers to champion economic reforms. Over 60 years CEDA has championed nationally significant policy reforms across immigration, tax, water and even broadband issues, and it is in that spirit which I am presenting to you today to urge you to stay the course on these proposed planning reforms.

We consistently hear from our over 400 members that housing is the most significant national challenge which we have. At its most perverse, expensive and scarce housing is increasing homelessness. In a wealthy country like Australia this is obviously unacceptable, but beyond this it is forcing young people out of Melbourne, giving aspirational home owners fewer choices and renters less bargaining power and in aggregate holding our economy back. I am visiting Melbourne for this inquiry, and nearly everyone I have spoken to is in some way on the wrong side of a bad deal in this housing market. But of course not everyone is on the bad side of this deal. John Howard famously said that no-one ever stopped him in the street to complain about the value of their house increasing. Landowners have seen extraordinary increases in the value of their property, and evidence shows that those who own land in our most valuable locations also have the largest incentives to block development. Objections like this continue to strangle housing supply.

Committee members, chart 1 in your pack: Australia has failed to build housing in line with population growth. Chart 2: Melbourne's population is falling within its most valuable, well-serviced middle-ring suburbs. It is worth mentioning here that much-touted cutting of immigration firstly robs future Australians of opportunity but will not address the fundamental problem. Over time it is taking us more resources to build fewer and fewer houses. The complicated and uncertain set of approvals which is endemic to the current planning system is

contributing to poor productivity in the construction sector. Committee members, chart 3: CEDA chart highlighting construction workers required to build a house, 1970 to 2023. Chart 4 is a final look at this by the Productivity Commission, looking at the hours required to build a single house, 1990 to now.

You will undoubtedly see that it is becoming harder over time to build houses. This inquiry will also undoubtedly hear or see calls to progress these reforms, as the evidence suggests that increasing the permissibility of zoning, much like Peter Tulip has referred to, will improve housing affordability. A quick run-through: in 2011 the Grattan Institute demonstrated that the type of housing being developed in Melbourne was not matching residents' preferences. In 2018 Peter Tulip and Ross Kendall demonstrated the high cost that zoning was adding to our developed housing. In 2023 Infrastructure Victoria demonstrated Melbourne was still not providing the housing choices people wanted. Further in that year they demonstrated the merits of higher residential densities by modelling different scenarios for how we would build our city and found the greatest economic gain with the least traffic congestion and the least carbon emissions was under a compact city scenario. In 2024 YIMBY Melbourne demonstrated that the demand for housing was highest in our affluent inner-city councils, which were not approving enough housing relative to other councils. In this same year my colleague Danika Adams co-authored an article calling for the better use of existing land through planning reforms to address the high cost of housing. Subsequently Australians who were polled on these reforms by Amplify found upzoning proposed by YIMBY Melbourne to be the second most compelling set of housing reforms, with CEDA's proposed increased densities fifth. These were only behind the greater adoption of prefabricated housing, mentioned in previous evidence, which to achieve scale requires the type of planning reform which this inquiry is considering.

Of the policies that Australians considered, there was consensus that the regulation of land needed to change to allow for more housing. That is chart 5 in your pack. We may consider this the Australian community stopping us in the street to say housing has become too expensive, and housing has become expensive partly because it has become difficult to build. Findings from our forthcoming research and research already published by the Productivity Commission show that Australia, like many other countries, is becoming less productive at constructing. Many Australians benefited from the housing market – which is at the start of graph 3 – when housing was relatively more abundant and affordable. At this time a typical three-storey block of apartments would require an application which was merely a few pages long. Today an equivalent building would require dozens of consultants conducting extensive reviews, generating hundreds of pages of reports. Constructors invest significant time in understanding and complying with different codes and regulations, and Melbourne's current planning system allows for significant differences across local government areas. The proposed reforms would harmonise much of this.

Emerging research suggests the current specificity and complexity incentivises firms to remain small, and this is important because construction firms which grow in scale are more productive, meaning they can build more homes with fewer resources. That is charts 6 and 7 in your pack. Today more workers are working in relatively smaller firms, completing relatively fewer homes than at the time when construction productivity was higher. Critics of the proposed reforms want a system which maintains local scrutiny of development, and as our current market shows, this system cannot productively deliver housing.

I will end my comments by saying that a city like Melbourne, already the largest and most sparse in the world, endowed with space and industrious people from all corners of the globe, should not succumb to a dysfunctional housing market. The first step in amending this would be to follow the path on the reforms considered in front of you.

The CHAIR: Thank you very much. We appreciate both of your submissions. We are going to have about 3 minutes per person to get through, so we will have to keep things very tight, and I would ask witnesses to keep their answers succinct, if they could, please.

Could I ask you, Mr Brooks: in terms of the sort of economics that you have been putting forward – I think that is interesting. I think everyone here agrees that we need more housing; I do not think that is really in dispute. Probably what this inquiry is trying to focus on is actually the specific amendments. Do you have any evidence that these amendments will in fact significantly reduce the cost of construction and the timing processes? Because obviously we have had evidence to the contrary on that one.

James BROOKS: The mechanisms by which we reduce construction through land use and zoning are still being studied, and the clearest thing to look at would be Auckland, as Peter Tulip mentioned. The evidence is crystal clear that rezoning and more permissibility lowers housing prices and housing rents. This can only come from a few places, whether it is from the price of land or, as you mentioned, the price of construction. What we see internationally, in the US, is jurisdictions which have less stringent and more relaxed land use and zoning have more productive construction firms. This means by definition they are producing more housing with less inputs, so this would be evidence to suggest that the cost of what they are constructing is cheaper in these jurisdictions. Now, I do not want to give you a like-for-like basis, because if a developer builds something really large but really high value-add then that is going to have higher cost, but what we see is that productivity is associated with reduced and less stringent land use regulations, even within Australia in times gone past.

The CHAIR: Do you think that that would actually result in more affordable housing as opposed to just housing? Because I am seeing a lot of housing, but not necessarily much of it is affordable. Again, I would like to bring you back to specific regulatory instruments that we are considering.

James BROOKS: Yes, it would produce more affordable housing.

The CHAIR: How?

James BROOKS: The mechanism I would be here to discuss is through the productivity in the construction sector, so through more effectively using the inputs – so materials, labour – and through achieving better scale. Think of the developers who duplicate process. Through achieving scale in this sector we produce more homes for less cost. This will, as international evidence shows, flow through to the price and rents of housing, the same way more supply of any good flows through to the price of that good.

The CHAIR: Sorry, I have probably erred slightly in terms of being too vague. If we say ‘affordable’ in terms of a specific provision designed for low-income earners – I understand what you are saying about potentially per-metre cost. Is there anything in here that will address that specific need for affordable housing, rather than just slightly cheaper, potentially, housing?

James BROOKS: Within my submission or within the evidence more broadly?

The CHAIR: In terms of your understanding as an expert witness here today.

James BROOKS: Absolutely. The mechanism of filtering, which is what we would describe as how new supply lowers the price and rents of existing housing, is very well established. I think what you are getting at is provision and policies on the regulation of new development to permanently fix that affordable housing.

The CHAIR: Concessional, yes.

James BROOKS: Yes. I believe Peter touched on one of the existing policies here – well intentioned, but to provide market-subsidised housing, we are just merely shifting where the resources and cost come from. A policy like inclusionary zoning is just shifting the cost on the burden of new development and ultimately home owners. So this is well intentioned but does reduce development. Through the mechanisms of filtering we see market prices reduce with new supply entering the market, and this in turn should be totally appropriate to deliver more affordable housing.

The CHAIR: Terrific. Thank you so much. Mr Davis.

David DAVIS: I am going to take you, sir, to your chart 3 and dwelling units completed per construction worker. You have imputed the cause of this decline as planning issues –

James BROOKS: One of.

David DAVIS: Well, I think ‘one of’ is my point. This would be more likely to be looked at as industrial relations issues, actually, when I look at this. I would suggest to you that is more to do with industrial relations than it is with planning changes.

James BROOKS: In the creation of this chart, I have not overlaid industrial relations, but I think if I were to, you would see a simple measure like days lost of productive work through striking would –

David DAVIS: It could just be the cost per worker.

James BROOKS: Wages in the construction sector or labour input costs have broadly tracked the growth of wages in Australia generally, so we cannot see –

Georgie CROZIER: Not here in Victoria.

James BROOKS: This is, firstly, a national chart, but when the Productivity Commission looked at this –

Bev McARTHUR: Try Victoria.

James BROOKS: When the Productivity Commission looked at this previously, they could not find an association with increased industrial relations action and home building.

David DAVIS: I would suggest this is a slightly dishonest chart, and actually there is little to connect this to planning changes.

James BROOKS: I would also suggest there is little to connect this to industrial relations changes, and the CFMEU also operate on different densities to what we produce in Melbourne. But I am happy to take this back and maybe produce some more evidence for your office.

David DAVIS: I am just saying I think it is a little bit dishonest. The second thing I would ask you –

Members interjecting.

David DAVIS: I think it is a little dishonest to hook that to planning when there is no real connection of those changes to planning.

The CHAIR: Okay, let us –

David DAVIS: If I was to pick something as top of line, I would suggest it would be industrial relations, but I too cannot precisely connect those charts.

James BROOKS: That is okay. I am happy to take this, and maybe I can return and do some further data analysis.

David DAVIS: Now, I just want to ask you about some of the large zones around the city – for example, the Maribyrnong site, the 128-hectare Commonwealth government owned land that is sitting idle because the Commonwealth government has left that polluted. A big chunk of land like that – would cleaning land like that and bringing it into the market help lower prices?

James BROOKS: One site in isolation is probably not where I can best give you evidence today, and we should probably talk about the system of reforms before us as opposed to Commonwealth policy.

David DAVIS: Let me pick another area. Fishermans Bend my colleague referred to earlier, a site where early plans suggested up to 80,000 people could be accommodated. If that was brought forward and planning permits were given for that, would that help lower prices?

James BROOKS: In very general terms, the supply of land permits will help lower prices. There is consideration to all things that make development feasibility – I believe previous evidence was relating to infrastructure perhaps as well. Where I can best give you evidence is on the mechanisms I have outlined above, through productivity in the construction sector.

The CHAIR: Okay. Thank you so much. Ms Watt.

Sheena WATT: Actually, Mr Berger will be opening.

The CHAIR: Mr Berger. Sorry.

John BERGER: Thank you, Chair. And thank you, Peter and James, for your submissions this morning. James, I might just go back to some of the comments you made about the dysfunctional housing market. Can you just walk me through what that means?

James BROOKS: To me, as a normative statement, the dysfunctional housing market really relates to the continuing increase in rents and increase in prices and the effects they are having on Melbourne as a city.

John BERGER: Would it then follow that the revocation of these amendments would contribute significantly to more functionality issues?

James BROOKS: Yes.

John BERGER: Okay. Well, that is good. Peter, in terms of the research that you have undertaken, I am interested to hear a bit more about the supply denialists and what goes on with that.

Peter TULIP: Yes. This overlaps with your previous question about the dysfunction of Australian housing markets. We do not allow enough building. There is too little supply for the demand for housing, and that pushes up the price. In fact that is the reason that housing in Australian cities is so expensive. There are a bunch of people that do not believe that supply and demand work in the housing market the way they do in most other markets. I think you heard from Charter 29, as an example of one of these supply denialists. There is a huge amount of evidence that contradicts these people. We know supply and demand work in the housing market very strongly, very clearly, very quickly, and the CIS submission goes through a lot of that evidence. We see it everywhere – Auckland, I mentioned, the other cities I mentioned. In all of these places, if you liberalise zoning restrictions, it makes housing more affordable.

John BERGER: With the housing shortages, not only throughout Australia but in Victoria as well, if we keep putting pressure on rents and house prices – again, if these amendments are revoked, don't we miss out on reaching those targets?

Peter TULIP: Yes. I mean, that should be at the centre of the debate.

John BERGER: Then it would follow from there that – where should the homes then go?

Peter TULIP: Good question. The people opposing this should be suggesting where they are going to allow the extra building.

Members interjecting.

The CHAIR: A bit of order.

John BERGER: Sorry, Chair, I missed all of that.

The CHAIR: Yes, sorry. Could you say that again, please, Mr Tulip? A bit of order, please.

Peter TULIP: I think that is a very good point. The people that are opposing these amendments really need to say where we are going to get the extra housing from.

Members interjecting.

The CHAIR: Can I suggest that was not actually a question to the members. John.

John BERGER: If that follows, if you are singling out one specific place, how do you deal with the number in totality?

Peter TULIP: One particular place will not have a big effect on housing supply or prices, but it is an example of what needs to be done throughout Melbourne. We need to allow more building everywhere, and that will increase supply and improve affordability.

John BERGER: Thanks, Chair.

The CHAIR: Okay. Thank you so much. Ms Mansfield.

Sarah MANSFIELD: Thank you. Thank you for appearing today. Just to go back to what Mr Ettershank was saying earlier, I think there is broad agreement that we all want to see more affordable housing delivered, and more densification is a good way to achieve that. With respect to the specific amendments before us, I would be interested in your views on whether these are the right instruments to deliver that additional supply, and in particular deliver that affordable supply that we need, particularly for low and very low-income earners.

James BROOKS: I think these instruments, based on what we have seen internationally and what we understand of housing markets which do see rents fall, are very consistent with what we would expect to see with more supply leading to housing affordability in the Melbourne market. I think these do a very good job and go a long way to addressing some of the key aspects of the regulation of land which withhold development, such as the uncertainty, third-party appeals et cetera. I think these are very good.

Sarah MANSFIELD: Okay.

Peter TULIP: Can I add to that? Where it is most desirable to put extra housing is near your public transport centres. I mean, these are already lively, busy places so you do not have the change of neighbourhood character that upsets people elsewhere, and it minimises the effect on traffic. Planners have been arguing for transport-oriented development for a long, long time, and some of these amendments go directly to that, locating the housing where it is most desirable. One of the other big amendments before you is for townhouses and allowing medium-density housing as a right. Again, that has worked very successfully overseas – in Auckland in particular. It is a good way of increasing supply, and again, extra supply improves affordability.

Sarah MANSFIELD: We have heard criticism, particularly of VC267 and the new ResCode changes that are related to that townhouse planning scheme amendment you just referred to. There have been a number of criticisms about how that has been put together and some of the exemptions within that planning scheme amendment – the impact on ESD, vegetation and tree canopy. Do you have any views on that and whether we should be looking at the very least to improve VC267?

Peter TULIP: I think the most important thing to say – and this was a discussion in the previous session – about the 70–30 spread between greenfields and infill is that if you do not put extra density in the inner suburbs, you will have greenfields development and wipe out lots of trees and the environment, and it is terrible for the environment. You encourage car use, you encourage urban sprawl and you substantially reduce the vegetation around the city.

Sarah MANSFIELD: Sorry to interrupt, but VC267 applies statewide, not just to those inner areas.

Peter TULIP: Yes, but the main effect will be to increase density where housing already is and replacing detached houses with medium-density housing.

The CHAIR: We have to leave it there. Thank you so much. Ms Crozier.

Georgie CROZIER: Thank you, Chair. Thank you, both, for appearing before the committee this morning. Mr Brooks, I think you said you are not from Melbourne. Are you Sydney or New South Wales based, or are you regional Victorian?

James BROOKS: I had been in Melbourne for five years but recently relocated to sunny Adelaide.

Georgie CROZIER: Right. Lucky you. Mr Malinauskas has poached you along with others. You talked about how new supply will decrease price. What about demand? You have not spoken about demand. You have put these figures in the context of Australia – not particularly relevant to Victoria per se – but there is no discussion around what has been really highlighted over frankly the recent weeks around immigration rates – a million people coming to the country in the last two years. Surely that puts demand on the system. Why have you not included those pressures that are causing, largely, this crisis, and what modelling has your organisation done in relation to this really pertinent issue that has been failed to be addressed?

James BROOKS: To put it simply, it is simply not our view that immigration is a cause in this crisis.

Georgie CROZIER: So the immigration is not causing the demand problem?

James BROOKS: The clearest thing to see here is the slowdown in productivity. With fewer homes built and with more people, it does not matter how many immigrants are within or outside of the country; we are simply not going to build enough homes. The other thing to add is that for every immigrant that is able to come into Australia they add to our labour pool in general.

Georgie CROZIER: I am not disputing any of that. The point is the supply and demand issue. When we have got enormous numbers like this coming into our country and our state, of course there are going to be pressures on the numbers for housing and our ability to keep up with that demand. That is my point. Do you agree?

James BROOKS: I do not agree with your point.

Georgie CROZIER: That is extraordinary.

James BROOKS: I would simply put that the policy response would of course be to liberalise supply.

Georgie CROZIER: So there are no demand pressures whatsoever?

James BROOKS: It is not within the evidence of my submission.

Georgie CROZIER: No, because –

The CHAIR: Ms Crozier, Mr Tulip is busting to get in here.

Georgie CROZIER: Well, I am actually asking Mr Brooks. I do not want to hear from Mr Tulip, with all due respect.

Peter TULIP: We have actually done research on this. You asked about the modelling; we have done the modelling.

Georgie CROZIER: I want to ask Mr Brooks. It was his evidence, Mr Tulip. I will come back to you.

Peter TULIP: Okay.

Georgie CROZIER: I am interested in this information that you have provided to the committee that is Australia-wide and does not relate to Victoria. You say that this is a supply issue. I am just fascinated why you do not think that these pressures have any impact on demand and how it has not kept up with production. You also talk about production issues. We have heard from the previous witnesses that there are huge concerns around taxes, regulation and a whole range of things for developers. Why have you not included that into the demand issues in your submission?

James BROOKS: Which part of that, sorry?

Georgie CROZIER: All of that – the labour, the developers. We cannot keep up with producing these homes.

James BROOKS: On the matter of immigration, Australia has been a country with relatively high immigration levels for many, many years.

Georgie CROZIER: Not a million over the last two years. That is a big number, and they have got to be housed somewhere.

James BROOKS: Immigrants are able to contribute to the building of houses with their labour.

Georgie CROZIER: I am not disputing any of that.

The CHAIR: Ms Crozier, we are not having a debate. We are over time.

Georgie CROZIER: Well, he has failed to answer any of the questions.

The CHAIR: Okay, thank you for that. Mr Batchelor.

Ryan BATCHELOR: Thanks, Chair. My colleague Ms Crozier has tried to lay the blame for the housing crisis at the hands of immigrants –

Georgie CROZIER: Chair, on a point of order, I am not blaming immigrants. I am blaming the demand and the issue around the numbers – the failure to manage those huge numbers. I would ask you to ask the member to withdraw that comment.

The CHAIR: Mr Batchelor, would you like to refocus?

Ryan BATCHELOR: Mr Tulip, do you have anything you would like to add to Ms Crozier's connection of immigration to housing supply and the cost of housing in this country?

Peter TULIP: I would be delighted to. We have done substantial research on this question. My view is slightly different from James's; I think immigration has substantial and clear effects on housing prices. I mean, just in a few days time we will be voting in a federal election where the coalition has promised to reduce net overseas migration by about 100,000 people a year. We estimate that over a decade that would reduce housing prices and rents by about, I think it is, 11 per cent, so it is a significant effect. The debate over immigration is not, I think, over effectiveness as we agree that the demand makes a difference; it is over desirability. This is an issue on which there are difficult trade-offs on which lots of people disagree. Immigration has all sorts of effects on the economy and society, and we will have a federal election in just a few days time to decide on those things. You guys in the Victorian Parliament do not get to decide on immigration; you get to decide on zoning and –

Ryan BATCHELOR: I just want to go back given that I have got a limited time. Mr Brooks, your evidence at the core is about the relationship between labour productivity and housing construction and the role that planning plays in that. Just so I can be clear, my understanding of the evidence you have given is that the effect of the planning changes that we are considering today is to create a system that allows for greater consistency of the type of supply and that should lead, in your economic analysis, to larger scale development of medium and lower density – we are not talking about high-rise construction – particularly on the townhouse code, to the capacity of firms to be able to build more of the same type of houses at once, lowering productivity. Is that a correct understanding of your evidence about the relationship between labour productivity and the construction sector and planning?

James BROOKS: That is a good representation of my evidence, yes. More consistency in this system with certainty for firms allows them to invest better, learn by doing and get better at the things that they are able to construct and eventually scale up, meaning that they are able to undertake more construction projects with less uncertainty and risk in the system, which we would expect to lead to higher productivity in this sector, which in tangible terms means more houses for less inputs, meaning less labour, less construction material costs, because they have got more productive – better at doing it.

The CHAIR: Thank you. Mrs McArthur.

Bev McARTHUR: Great. Mr Brooks, I note that both of you are from interstate – right?

James BROOKS: Yes, just recently so.

Peter TULIP: Yes.

Bev McARTHUR: Yes, great – you are. So you are not actually familiar with what is happening in Victoria on the ground. You have given us examples of New Zealand and everywhere else. You are not comparing apples with apples, are you, because in New Zealand, where you have cited all these fantastic results from changes to planning laws, did they have 15 development taxes? Did they have the same number of regulations revolving around red, green, brown tape et cetera and restrictions around construction? Did they have the same amount of government construction occurring in Big Build projects, which have exponentially increased the cost of building, let alone the shortage of building supplies for builders? Are you comparing apples with apples? Did all those things take place in the examples you have given where changes to planning occurred?

James BROOKS: I think Peter may wish to expand a bit more on this.

Bev McARTHUR: No. I am asking you.

James BROOKS: But I think thankfully our analysis and statistics have come far enough so that we often do not need to compare apples to apples to understand what the likely outcome of a policy is going to be, and there are more cities than just Auckland which are demonstrating the same result.

Bev McARTHUR: Did they all have the exact same situations that occurred here that produced the same results?

James BROOKS: I am not sure that they need to have the exact same situation for us to understand at the heart –

Bev McARTHUR: Well, you cannot compare them, then, can you?

James BROOKS: I believe you can.

Bev McARTHUR: You cannot compare them. Now, there are approximately 8000 residential possibilities available in the CBD. There are already apartments vacant, and you are telling us that there is a shortage of housing. Why aren't these being taken up?

James BROOKS: The role of vacancy – I mean, there are a lot of reasons people can keep their dwelling vacant, and it is not necessarily commensurate with how supply has panned out over 50 years.

Bev McARTHUR: You would be aware, though, if you have a vacant building, you are taxed heavily in this state, so there is not much incentive to keep everything vacant. These properties are not actually even available for rent, but they are not even being bought. So there is housing availability – nobody wants it. In one council alone in one of these tall towers areas there are over 600 developments that have been approved. That would equal about 1200 housing options.

David DAVIS: They have got their permits.

Bev McARTHUR: They have got their permits, but there is no building going to market. Why? Because the costs of taxes, charges, regulations and building constructions are so great in this state nobody could afford to buy them. That is the problem that we have got in this state, but you are not addressing that.

James BROOKS: I mean, I am here to give evidence about the planning scheme amendments.

Bev McARTHUR: But the plan –

The CHAIR: Mrs McArthur, I think we will let the witness answer the question.

James BROOKS: Should the inquiry wish to look at other factors that impact feasibility, I would be happy to prepare some comments.

Bev McARTHUR: More permits do not equal more houses.

Sheena WATT: Your question is over. The time is over, Chair.

Bev McARTHUR: More permits do not equal more houses.

James BROOKS: Should I respond or –

The CHAIR: I think we will be right. Ms Watt.

Sheena WATT: Thank you, Chair. There are probably some remarks from our previous questions, Mr Brooks, and I am happy to give you a moment to clear the air on what came. Is there anything you wanted to say that was cut off from our earlier speaker regarding vacancy rates and apartment living and how that affects pricing? I am interested to hear it actually, because there is some sort of assumption that if we have got an empty building folks have not got their own reasons for that. Can you just talk to me about that?

James BROOKS: I mean, the existing amount of vacancies in Melbourne right now is not a good explainer as to what is affecting price and rent growth over time. When we look at this trend from even 2000 to now, with the amount of dwellings we have built and people, we look at the slowdown in productivity over time. These

are relationships which are not easily explained by 6000 or so vacancies within the CBD. People have reasons to leave their buildings vacant, and in Australia you are able to do that. Melbourne is a jurisdiction which taxes that, recognising that we want people in homes. The broader question here is how to increase supply to bring housing back into a range which is more affordable for more people, and these are changes which look to address that.

Bev McARTHUR: I just told you. There are plenty of developments. We know –

Sheena WATT: Excuse me, Chair. I will ask for my time in peace and quiet, please.

The CHAIR: Mrs McArthur. Thank you.

Sheena WATT: Could I ask, Mr Tulip, if you have any contribution that you want to make with respect to vacancies and supply in the state before I go to my next question?

Peter TULIP: There are a lot of empty houses. There are a lot of empty rooms in our housing stock, and if anyone has proposals for dealing with that, I would be very interested in it. But just the fact that these problems exist, that there is excess supply in some cases, does not mean that you should stop building in other cases. There are lots of places where builders and developers are busting to build and we do not allow them to do so. We should.

Sheena WATT: Yes. And the examples of other jurisdictions – is it fair to assume that other countries in the world have infrastructure projects that are being developed at the same time as housing, and is that something that is worthy of some analysis and consideration when it comes to housing and housing supply?

Peter TULIP: Sure. I think there was a misinterpretation of the evidence on Auckland earlier. Auckland is a good, clear, interesting example, but it is not the only one. There are dozens and dozens of examples all around the world varying in all sorts of different ways. Just to list a few: Lower Hutt, Zurich, Minneapolis, Edmonton, Tokyo, Houston, São Paulo. All of these have studies specifically looking at the effects of zoning liberalisation. It worked in all of those places; why wouldn't it work in Melbourne?

Sheena WATT: Lovely. Thank you, Chair.

Bev McARTHUR: Taxes, charges, regulations –

The CHAIR: Okay, thank you, Mrs McArthur. We have got a couple of minutes left, so a couple of very quick questions, and from the witnesses, blissfully quick answers. Mr Davis.

David DAVIS: Very quickly, separate from the planning matter – that is obviously only one factor in supply – there are a range of taxes that are landed on properties here. There have been about 15 or 16 new ones over the last 10 years. In some cases up to 50 per cent of the value of a newly completed apartment or home is tax. Wouldn't the high taxation rate be a significant break on construction and the bringing forward of new volume of housing?

James BROOKS: Taxes naturally impact the feasibility of projects, but in this case how it is different is we get something out of taxes, whether that is through a tax on development or through consolidated revenue.

David DAVIS: Maybe, maybe.

James BROOKS: The difference with uncertainty and the level of specificity in the planning system is it is not clear what we are getting out of what effectively is a tax.

David DAVIS: But just specifically on my question: the higher taxes will actually reduce the number of properties coming to market in a simple supply and demand way.

James BROOKS: Before and after the implementation of these planning codes, or –

David DAVIS: Either before or after the higher tax rate will suppress the number of –

James BROOKS: Taxes ultimately do impact feasibility.

David DAVIS: Thank you.

The CHAIR: All right, thanks. Ms Mansfield.

Bev McARTHUR: It took a while to get there.

The CHAIR: Excuse me.

Sarah MANSFIELD: Thank you. Mr Tulip, you referred to this concept which we have heard called moving chains or filtering, where increasing supply makes housing more affordable right through the full spectrum of housing, and you cited a range of different evidence to support that idea. Some of the research that has been done in Australia has shown that an increase in supply in markets like Sydney and Melbourne has not actually been able to deliver more affordable housing for those people who are at that very low end of the housing market. One of the explanations put forward is that increasing supply alone is not enough to deliver housing for people on very low incomes. How do you respond to that?

Peter TULIP: Those results go against the overwhelming thrust of the research on this question. Overwhelmingly we find that if you increase the supply of housing it is of most benefit to the people at the bottom rungs of the housing ladder – even, most clearly, for the homeless. If you increase housing supply, you reduce the level of homelessness. On the chart in front of you that we supplied for Auckland, we can see that the big increase in supply in Auckland was of most benefit to low-income renters. There is just a very large amount of research that says people on the lowest rungs are those that benefit most from increased housing supply.

Sarah MANSFIELD: So you would say of that evidence from Australia – those papers that say that has not been the case in Australia, where supply has been exceeding population growth and we have not seen improvements in homelessness and housing affordability for low income earners – that perhaps that research is not correct?

Peter TULIP: Which particular paper are you referring to? Is that the e61?

Sarah MANSFIELD: There was a paper that was published by AHURI.

Peter TULIP: AHURI I think produced low-quality research on this question. In particular the big paper which I think was by Nygaard and others just does not refer to any of the other research on this topic, so we cannot see why they get these unusual results and how they are different.

Sarah MANSFIELD: Thank you.

The CHAIR: Ms Watt, one last question.

Sheena WATT: One last question. Just going to worker housing now, is there any evidence that you want to have us consider with respect to the housing needs of key workers, infill and availability of transport and public infrastructure and other things? I am just considering that with respect to our future witnesses.

James BROOKS: I would not want to raise any evidence which has not already been put forward in submissions. It is quite clear that increasing densities in well-located areas and transport is ultimately going to be good for key workers, and typically we are talking about I believe middle-income-ish. The ability for the market to get rents to a more affordable level for these income groups is pretty clear, looking at international evidence. A comment on the lower income groups: the government in provision of social housing still has to often comply with and follow the planning codes and is still subject to how constructively we can produce housing, as it is with spot purchasing dwellings for people. There is another mechanism there in which we can see low-income groups better off under these reforms.

The CHAIR: We are going to leave it there. I thank both of the witnesses for attending today. I appreciate it was on very short notice, so we really do appreciate you making the time to contribute today. I just note that you will receive a copy of the transcript for review before it is published on the website. The committee will take a short break while we reset for the next witnesses, who are from the Victorian Trades Hall Council.

Witnesses withdrew.