



**SUBMISSION TO THE PRODUCTIVITY
COMMISSION: DRAFT REPORT ON THE
BARRIERS TO EFFECTIVE CLIMATE
CHANGE ADAPTATION**

8 June 2012

ABOUT UDIA

The Urban Development Institute of Australia (UDIA) is the peak body representing the property development industry throughout Australia. Established at a state level in 1963, the Institute evolved to become a national body with a number of state-based divisions in 1970. UDIA aims to secure the economic success and future of the development industry in Australia, recognizing that national prosperity is dependent on our success in housing our communities and building and rebuilding cities for future generations.

Our members cover a wide range of specialist and industry fields, including: Developers, Valuers, Planners, Engineers, Architects, Marketers, Researchers, Project Managers, Surveyors, Landscape Architects, Community Consultants, Environmental Consultants, Lawyers, Sales and Marketing Professionals, Financial Institutions, State and Local Government Authorities, and Product Suppliers.

The property development industry is one of the major drivers of the Australian economy, directly accounting for 7.3% of Australia's GDP and employing 975,700 Australians.

INTRODUCTION

UDIA welcomes the opportunity to provide this submission to the Productivity Commission. Adapting to a changing climate is a priority for the urban development industry and UDIA welcomes the Government's efforts to review the regulatory and policy barriers to effective adaption. The Productivity Commission has produced a thorough draft report with a number of strong recommendations.

The emphasis on deferring measures which have a high up-front cost until better information becomes available is welcomed. The Institute is also supportive of the recommendation that Governments should implement policies to improve the flexibility of the economy, such as reforming taxes which constrain the mobility of capital and labour. The draft report rightfully calls for the roles and legal liability of local governments to be clarified.

UDIA supports the recommendation to make land-use planning systems suitably flexible to allow a risk management approach to consider climate change risks in the decision-making process. However, adaption measures should only be considered where there is strong evidence of climate change risks. Furthermore, consideration of adaption measures in the land-use planning system should not contribute to delays and increased inefficiencies in planning processes.

ASSESSING REFORMS AND SETTING PRIORITIES

Evaluating and prioritising reforms which address the barriers to climate change adaptation is a challenging task. Although the effects of climate change are evident today in the form of more regular extreme weather events, the ultimate impact of climate change will only materialise over a long period of time. The extent of the impacts is relatively uncertain due to the long-term nature of climate change. Although certainty of the impacts is likely to improve with time, UDIA acknowledges that policymakers are duty-bound to act in a timely fashion.

To this end, UDIA supports the Productivity Commission's commitment to seek reform options which 'increase the well-being of the community'. UDIA believes the adoption of climate change adaptation policy should consider the triple bottom line of sustainability, giving due consideration to economic, social and environmental factors.

UDIA supports the Productivity Commission's identification of the 'real options' approach as a mechanism to facilitate decisions that increase general community welfare. This approach acknowledges that reforms with a high upfront cost and minimal immediate benefits and uncertain future benefits, would be deferred until there is better understanding of the impacts. As mentioned in the draft report, sea level rise serves as an example where there is a high upfront cost for uncertain and long-term benefits. A setback policy in response to sea level rise is unlikely to increase the well-being of the community in the near to medium-term.

In fact, a setback policy can have a devastating impact on housing delivery; for every 50 metres of setback along the coast, 5 hectares per kilometre will be sterilised for development. This will only contribute to Australia's housing supply crisis outlined by the National Housing Supply Council's (NHSC) 2011 State of Supply report. The report found that the nation now has a cumulative shortage of 186,800 dwellings, which could rise to over 640,000 over the next 20 years. Compounding housing supply will not increase the well-being of the community.

Technology and innovation, including building construction methods and engineering solutions, will improve over time and policies should allow for the evolution of developer responses. In many instances a setback will be the most viable option, but other opportunities should not be excluded through inflexible policies. To this end the Productivity Commission's suggestion of the use of 'triggers' allows land affected by potential hazards to be utilised for years before further adaptation responses are required.

Conversely, where there are low upfront costs with the potential for large benefits in the future, there could be a case for taking some preparatory action today that leaves flexibility for effective responses in the future as better information becomes available. In the case of sea level rise, low cost and immediate action could take the form of soft engineering strategies such as beach nourishment, beach reshaping and beach stabilisation and hard engineering solutions including groynes, seawalls, revetments, rock armour and gabions.

BUILDING ADAPTIVE CAPACITY

The development industry supports the Productivity Commission's emphasis on economic reforms to increase the community's ability to respond to climate change. The property development industry is particularly supportive of the recommendation to implement reforms to conveyancing duties. UDIA has long called for State Governments to phase out stamp duty,

which is an inefficient form of taxation. There is little relationship between the rates or absolute revenue raised from the tax and the services provided by the Government. As noted by the draft report, stamp duty has a lock in effect, providing an impediment to mobility.

Furthermore, the significant downturn in the urban development sector, and therefore Government revenues from stamp duty provide a good example of the unreliability of stamp duty as a sustainable, predictable revenue source. The cyclical nature of stamp duty makes governments vulnerable to a level of volatility in the market that is not as prevalent in broader based, lower charges. The high transaction costs associated with purchasing or selling property undoubtedly acts as a barrier to climate change adaption.

INFORMATION PROVISION

UDIA welcomes the Productivity Commission's emphasis on the importance of updated information on informing climate change adaption policy. Constantly reviewed information is useful for the consideration of climate change and its impacts early in the planning stage of new development. Access to thorough information on natural hazards will only benefit responsible development and UDIA welcomes the Productivity Commission's recommendation to expand the Australian Government's current initiative to coordinate and disseminate flood-risk information.

LOCAL GOVERNMENT

UDIA accepts the Productivity Commission's recommendation that States and the Northern Territory Government should clarify the climate change adaption roles and responsibilities of local governments by publishing 'a comprehensive list of laws which delegate regulatory roles to local governments'.

The draft report correctly maintains that there are a number of cases where local government may not be the appropriate authority to undertake adaption. While Councils undoubtedly have a role to play, States need to clearly define their roles in adapting to climate change.

Once these roles are defined, States and Territory Governments can more easily assess the ability of local councils to perform such roles. Local governments are not uniformly equipped with the skills or resources to assume responsibility for climate change adaption. As a result State and Territory Governments may need to bypass certain local councils by either directly performing the climate change adaption functions or by facilitating coordination among councils.

Uncertainty over the legal liability of councils is undoubtedly a barrier to climate change adaption. Using development in coastal areas as an example, the industry has increasingly experienced situations in which local councils adopt a risk adverse approach to approving developments. UDIA supports the Productivity Commission's call for 'States and the Northern territory Government to clarify the legal liability of local governments regarding climate change adaption matters and the processes required to manage that liability'.

In some instances there may be scope for State policy to be given statutory effect. For example, a sea level rise policy can be given statutory effect and minimise the uncertainty

surrounding legal liability for local councils. However, sea level rise is only one example and climate change adaption relates to a broader set of issues (some of which may only become know at a later date).

PLANNING AND BUILDING REGULATION

On managing climate risks within land-use planning, UDIA welcomes the principles mentioned in the draft report. The use of the risk management approach in which local governments make use of a range of planning instruments to manage risks is a sensible observation. Of particular relevance in such approaches is the need to match the time-frame of the land-use to the related risks. UDIA supports the use of ‘triggers’ as a method of addressing risks as they arise. This is an innovative approach in which land under future threat can be used for a long period of time before additional adaption measures are used.

Understanding the risk tolerance of the community is an important principal in preparing climate adaption measures. From a development perspective, communities should not be deprived of or forced to accept development without testing their levels of acceptable/unacceptable risk. The draft report has identified a number of innovative approaches used by local councils to highlight information on climate change adaption risks; notifications on contract of sale or the use of indemnity statements shifts the risk to potential land owners.

Regarding a consistency in planning regulation, UDIA supports an approach whereby policies driven by the States and Northern Territory ensure a consistent approach to climate change adaption. Climate change adaption measures should only be considered where there is rigorous scientific evidence of risks. Furthermore, consideration of adaption measures in the land use planning system should not contribute to delays and increased inefficiencies in planning processes

CONCLUDING COMMENTS

UDIA thanks the Productivity Commission for the opportunity to provide this submission. UDIA would welcome the opportunity to discuss any aspect of this submission in greater detail. For further information, please contact UDIA National on 02 6230 0255 or at udia@udia.com.au.

Yours sincerely,



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