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UDIA Submission to the Senate Inquiry into the EPBC Bilateral Agreement Implementation and Cost Recovery Bills

The Urban Development Institute of Australia (UDIA) welcomes the opportunity to provide this submission to the Inquiry into the EPBC Bilateral Agreement Implementation and Cost Recovery Bills. UDIA is the peak body representing the interests of the development industry around Australia, acting on behalf of over four thousand members across the country, from a wide variety of fields and professions.

Maintaining the stringent environmental standards currently provided by the EPBC Act is critical to ensure the long term protection of Australia's natural environment. UDIA believes that the Government's 'one stop shop' will reduce regulatory duplication, whilst maintaining existing environmental standards. The Bilateral Agreement Implementation Bill supports that objective.

However UDIA does not support cost recovery under the EPBC Act. The introduction of cost recovery has the potential to significantly and unnecessarily increase the cost of development, putting jobs, economic growth and new housing supply at risk.

Environment Protection and Biodiversity Conservation Amendment (Bilateral Agreement Implementation) Bill 2014

Currently, environmental assessment and approvals processes are duplicated between the Federal and state governments, creating an unnecessary additional layer of regulatory cost and delays, without necessarily improving environmental outcomes. UDIA believes that bilateral agreements, which allow the Federal Government to accredit state government assessment and approval processes, are an effective way to improve regulatory efficiency by eliminating duplication, whilst still maintaining existing stringent environmental standards.

Despite their potential to reduce duplication between state and federal environmental approvals processes, bilateral approval agreements are not widely used in any state or territory. UDIA strongly supports the implementation of the Government's 'one stop shop' approach, which proposes greater use of bilateral approval agreements to achieve a single streamlined environmental assessment and approval system. The reduction in regulatory duplication as a result of the one 'stop

shop' will considerably reduce costs for the development industry, supporting jobs, economic growth and new housing supply.

UDIA supports the passage of the Environment Protection and Biodiversity Conservation Amendment (Bilateral Agreement Implementation) Bill 2014.

Environment Protection and Biodiversity Conservation Amendment (Cost Recovery) Bill 2014

UDIA remains opposed to the introduction of cost recovery proposed by the Commonwealth Government, as it will negatively impact on the delivery of sufficient and affordable housing, which is fundamental to Australia's future economic success.

The property development industry is already one of the highest taxed industries in Australia, with government taxes and charges accounting for more than 40% of the cost of a new home in some areas, and both State and Federal Governments receiving substantial tax revenues from development. Cost recovery on EIAs will only add to this burden, making the delivery of sufficient affordable new housing an even greater challenge, particularly for smaller development projects.

UDIA believes that the introduction of cost recovery under the EPBC Act has the potential to substantially and inequitably increase costs for new home buyers, and in some instances may prevent new developments from proceeding. The Government should continue to fund the administration and implementation of the EPBC Act from general tax revenue.

The impact of cost recovery on housing affordability

The Department of the Environment has previously acknowledged that cost recovery may have a detrimental effect on housing affordability, as additional costs imposed on new housing ultimately flow through to the new home buyer. In particular, the Government must consider the impact of cost recovery on smaller developments, which are an important part of the market, but cannot absorb the burden of cost recovery as easily as larger developments.

Based on the residential development example provided in the draft Cost Recovery Impact Statement, cost recovery would add an additional \$76,146 to the total costs. When including the \$7808 fee for the original referral decision, this cost rises to \$83,954.

If, for example, these costs were applied to a small development of 15 lots on one hectare, it would result in a regulatory cost of \$5,596 per lot for a controlled action. Depending on the complexity of the project, and the number of lots in the development, these costs could be even greater.

Developments which require approval under the EPBC Act are often subject to substantial additional costs in the form of expert consultant's fees, holding costs, mitigation efforts and the significant financial burden associated with offsets. These costs are ultimately passed on to the new home buyer, and the proposed cost recovery system will only add to this cost burden.

At best, the impact of cost recovery will be a further increase in house prices, and at worst it will render smaller developments unfeasible, impacting on land and housing supply.

Timelier and more efficient process

The Government's position is that cost recovery and the reforms they are intended to fund will allow for timelier and more efficient EIAs by bringing down holding costs and providing a greater degree of certainty. UDIA rejects this view and does not accept that cost recovery will provide a more certain business environment brought on by a more efficient service, as there is nothing in this process which increases transparency and accountability.

Simply increasing the number of officers will not improve the implementation of the Act; consistency, transparency and local knowledge are fundamental to achieving that outcome. There has to be a concerted effort to provide relevant training to assessors and for the department to recruit assessors with proven environmental education and training, or the Government's stated deliverable of 'improved service delivery' will not be realised.

Is cost recovery justified?

There is little justification for cost recovery given that the wider reforms to the EPBC Act, commitment to policy improvement, and greater transparency should have eased some of the cost pressures afflicting the department by streamlining the process. The commitment to greater use of strategic assessments and the One-Stop-Shop approach will also go some way to easing the staffing pressures for residential development projects. The original consultation paper estimated that the strategic assessment in Melbourne will avoid more than 250 referrals over 20 years.

Government must be clear that it should only pursue cost recovery if the criteria are met under the Australian Government's Cost Recovery Guidelines. The first criterion listed is that cost recovery is only appropriate if there is a clear beneficiary of an activity and where there is no clearly identifiable beneficiary, such as the wider Australian public, cost recovery is not appropriate. Where the beneficiary, a new home buyer, receives the most basic of need, shelter, it is inappropriate to penalize them.

It is UDIA's firm view that residential, commercial, mixed use and tourism development together with roads and infrastructure clearly offer wider community benefits that extend far beyond the commercial benefits to the proponent and are not appropriate targets for cost recovery.

It must be remembered that State/Territory and the Federal Governments are all beneficiaries of taxation which is derived from urban development. These taxes form part of the base which should fund activities such as those performed by the Department in relation to the EPBC Act.

Conclusion

UDIA thanks the Standing Committees on Environment and Communications for the opportunity to provide this submission to the Inquiry into the EPBC Bilateral Agreement Implementation and Cost Recovery Bills.

Regulatory changes to the EPBC Act must not come at the cost of reduced environmental outcomes. UDIA supports the Bilateral Agreement Implementation Bill, which will allow the Government's 'one stop shop' to reduce regulatory duplication, whilst simultaneously maintaining existing environmental standards.

However UDIA does not support cost recovery under the EPBC Act, which is inequitable and unjustified where the community should expect a Government agency to function within budget funding. UDIA rejects the argument that the additional income will result in greater certainty and an improved service unless the resourcing of the department is fundamentally improved with appropriately educated assessment officers who have a clear understanding of the Act and how its policies play out in the market, as well as a detailed knowledge of local conditions.

Should the Government adopt a cost recovery regime, it must place a lasting and definitive cap on the amount which can be recovered on a per lot basis to ensure that housing affordability is not unduly impacted.

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.