

Contact name
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Is your submission confidential?
No
Submission type
Have Your Say
Are there unwarranted regulatory impediments to competition in any sector in Australia that should be removed or altered?
<p>On page 16 of your issues paper, you ask "Are there planning, zoning or other land development regulatory restrictions that exert an adverse impact on competition? Can the objectives of these restrictions be achieved in a manner more conducive to competition?"</p> <p>This box is not asking quite the same question, but the particular question was not included in the "have your say" section, so i chose the nearest one.</p> <p>In respect to planning, zoning and land development, it is not so much particular aspects of particular laws, but the planning system itself Put simply, planning is not an area of government activity with clear, simple goals (other than motherhood statements about "building better communities" and the like), and this leaves it ripe for capture by special interests. These might be particular local businesses gaming local government zoning regulations to prevent competitors from establishing themselves in a region, or they might be lobbyists for particular transport or environmental positions using the rules to prevent development(s) which might bring benefits to the wider community but which are injurious to their sectarian interests. Moreover, like tax legislation, the continued and incremental activity of diverse lobbyists renders planning legislation ever more complex, and the process of gaining approvals ever longer. In my professional sphere of work, I have seen this! hamper e conomic development in regional Western Australia, where the speed of development of the economies of some towns over the past decade has been much faster than the speed at which sufficient land could be released, resulting in a hollowing out of local economies as any incoming business without the deep pockets of a resources major is simply unable to afford housing costs in the town.</p> <p>Quite apart from the Stiglerian effects of special-interest capture, planning is also hostage to a mismatch between societal and private interests. It is in the interest of society (both business and citizens) for sufficient, affordable land to be made available when it is needed to meet demand. However, it is in the interests of someone, having just bought a house (or indeed any land), for the price of that house to rise in real terms. This provides an incentive not only to support NIMBY policies at a local level which aim to preserve the particular local attributes that give a residential property value, but, at a broader-scale, to be supportive of (or at least tolerant towards) the activities of special-interest groups who seek to manipulate the planning framework to slow or halt development that they perceive as injurious towards their interests, so long as a side-effect of doing so is to restrict the supply of land in such a way as to increase the value of property fl or those who already own it.</p> <p>The interplay between special-interest capture and the conflict between private and societal interest causes planning to be a brake on economic development, by artificially restricting the supply of land available. This might influence business directly by increasing the price of land used for shops, factories and so on, or it might affect business indirectly by increasing the price its employees have to pay for a place to live, and thus their wage demands, and by reducing the disposable income its customers have to spend on other goods and services once housing has been paid for. Both have profound effects on the competitiveness of Australian business.</p>

It is unlikely that simple solutions exist to this complex problem, nor is it likely that such solutions would be found in a revamped Competition and Consumer Act. However, one possible, and partial solution could be to borrow from monetary policy, and enshrine simple, clear and meaningful goals in planning legislation. By this I mean something like "the median house in a city should not cost more (in mortgage repayment terms) than 30 percent, say, of the median household wage of the city." Similar rules associated with land as an input cost for business could also be developed. Where the simple rule is broken, the required response of the planning agency could be to release more land, or change the mix of zoning in planned releases of land, until the rule is once again met. Such rules correct for the conflict between private and social interests alluded to above, and make capture of the planning sector by lobbyists seeking to hamper development much more difficult. It ! would also act to keep the cost of land down, and provide professional planners with a quite different set of incentives, more aligned with the needs of society and the efficient use of resources, than the scarcity-promoting status quo.