



Tuesday, 07 January 2003

Professor Peter Newman
Director, Sustainability Policy Unit
Department of the Premier and Cabinet
197 St Georges Tce
Perth 6000

Dear Professor Newman

RESPONSE TO DRAFT STATE SUSTAINABILITY STRATEGY

Thank you for the opportunity to comment on your consultation draft "Focus on the future – the Western Australian State Sustainability Strategy", dated September 2002.

The Property Council of Australia

The Property Council of Australia is the peak industry body representing property owners, developers, managers and agents, as well as service providers to the industry, in Australia.

Our members are active in property investment, development, ownership, management and servicing the commercial property sector and, to a lesser extent, the residential property sector.

The Property Council of Australia is firmly committed to policies that ensure that the built environment serves the goals of the three main interacting elements of sustainable development – environmental, social and economic improvement.

Sustainable development – the preferred approach

It is an aim of the Property Council to change the market behaviour in Western Australia towards more environmentally sustainable practices by educating and showing businesses how to better achieve 'green dividends'. Green dividends occur when investment in sustainable technologies, along with best practice design and management, increase returns on capital.

In order to help business capture green dividends, the Property Council is developing a toolkit to assist the market identify and achieve new standards of environmentally sustainable behaviour. This tool kit comprises green business models, eco efficiency benchmarks, case studies, market incentive schemes, planning process templates, as well as design and management guidelines, backed by extensive communication and education programs.

The Voice of

Level 2, Parmelia House, 191 St George's Terrace, PERTH WA 6000
PH 08 9426 1204 - FAX 08 9226 2865
Email wa@propertyoz.com.au - www.propertyoz.com.au



The Property Council, with the assistance and co-operation of governments and the community, can encourage the transformation of the built environment toward a sustainable future.

There is already significant impetus in the commercial property sector to adopt sustainable practices, driven by industry concern and by client and community needs and demands. Building owners and managers are seeking to position themselves as organisations providing more sustainable outcomes. This provides some businesses with a marketing edge.

The draft strategy – broad support from Property Council

The State Government's initiative to review its activities and introduce a strategy to ensure a sustainable approach is broadly supported by the Property Council. Essentially, the draft strategy is regarded as a positive initiative.

The document is aimed at a strategic level. Hence the implementation plans, objectives and targets affecting commercial property development are mostly still somewhat off. This makes the comments herein somewhat preliminary in nature, as more important information and detail will be contained in strategies developed at a later date.

The importance of economic considerations

As a general comment, the paper should more frequently acknowledge the role of the economic contributions to sustainable outcomes. Economic performance generates the tax revenue required to fund many of the initiatives presented in the draft strategy. It also delivers technologies and investment that enhance the community's ability to realise sustainable gains. The role of economic contributions should be given acknowledgment and encouragement to achieve the community and environmental outcomes sought by the strategy.

This acknowledgement needs to recognise that, even with the best intentions in the world, a project will not proceed unless it is economically viable. This includes the base cost, including any built in social and environmental costs, and also the time factors in the approval process.

Some specific economic issues that could be considered in greater detail include the impact of current tax rates and other statutory charges, the current extensive delays in planning approval processes, and business attraction policies in Western Australia.

A secondary issue is that the strategy should adopt an approach that encourages private sector involvement with voluntary schemes to achieve sustainable outcomes. It is a risk that the strategy could result in prescriptive regulation to achieve its desired outcomes. This could be counter-productive if the regulations add excessive costs or delays to business projects. Prescriptive approaches to regulation can also stifle private sector innovation and change.

The draft strategy – specific comments

The overall purpose of the strategy is suggested on page 17 where it comments: "*The State Sustainability Strategy is the first time that the Western Australian Government has addressed sustainability comprehensively.*" However, it would, in our view, be premature to suggest that the draft strategy is comprehensive at this stage, despite its hundreds of pages.

First, the commercial property sector is a significant employer and consumer (or manager) of resources in WA. Yet the strategy at this stage makes little reference to the commercial property sector. As an illustration of an omission, the strategy proposes an objective to "*ensure energy efficiency and renewable energy are an increasing part of the domestic, commercial and industrial sectors*", yet does

not present a strategy to deliver this for commercial properties that considers the costs and benefits of any such reform. There is also no mention of the WA Government's worthy initiative to introduce a voluntary Greenhouse Building Star Rating Scheme for commercial properties and tenants. As a minimum, the strategy should include this scheme as a positive step towards more sustainable commercial buildings in WA.

It is recognised that the draft strategy is an over-arching policy that will require the development of more focused policies over time. The Property Council would be pleased to work with Government on strategies relevant to the commercial property sector (see below).

Thus, even at a broad level, the strategy should not at this stage be considered as comprehensive. It also does not, in some areas, provide an adequate assessment of total environmental, social and economic costs and benefits:

1. The draft strategy sets the objective to "*Instil a strong sense of place in Western Australia through the preservation of cultural heritage and landscapes and the active development of quality public spaces.*" The strategy talks at some length about the importance of heritage - "*people should feel free to move around and interact with others in the streetscapes and landscapes with which they are familiar*" (at page 157), "*we feel they are important expressions of who we are*" (at page 157), "*The loss of a 'sense of place' within sectors of the community is a factor of vital concern in this discussion*" (at page 157). There is no consideration given to who will fund the heritage preservation to deliver heritage benefits to the community. After having failed to properly consider the costs of heritage preservation, the paper states that the indicator of success should be the "*Number of town planning schemes with zones and guidelines for cultural heritage and landscapes*" (at page 159). Nowhere does the paper consider who bears the burden of the cost of owning and maintaining heritage properties.
2. The "*number of Regional Integrated Community Services Plans that are completed*" is an indicator in the draft strategy on page 170. These would apparently involve co-location of services and will require consistency and integration with planning laws. There needs to be further consideration of this interaction. The strategy also refers to comprehensive regional agreements. These should not become yet another layer of planning processes – but update and enhance our planning system in a workable manner. It is vital that any changes to planning processes do not further delay planning developments, which would cost the community in terms of fewer community facilities, fewer jobs and less tax revenue.
3. The draft strategy proposes to "*Research parking demand at suburban centres*" (at 4.18). It is not explained why this is necessary, what should be researched, nor are possible consequences detailed. Our concern is that the agenda behind this recommendation is not clear. A fear is that these policies could be used to introduce levies along similar lines to the Perth Parking Licence Tax, which has been exploited for revenue raising purposes to the detriment of property owners and tenant businesses in Perth. Another concern is that inflexible policies could be introduced that do not account for the needs of particular tenant types in different commercial properties. Thus, we support another recommendation on parking, to "*Encourage flexibility in local government parking policy in areas where there is good public transport*" (at 4.21). This could significantly reduce development costs, reduce waste of resources with barren car parking areas, and yet still allow economically viable development to occur.
4. There are several references to the need for affordable housing. However, the strategy does not, in any rigorous way at this stage, consider the costs and benefits of strategies to deliver affordable housing. Indeed, a key reason why housing is not affordable is due to the cost obligations placed on developers of property such as stamp duties and other developer obligations (eg public open space requirements). This is why many of the current affordable housing schemes in operation

that impose costs on developers will fail. Levies, penalties and fees on developers fail in the longer term because they ultimately result in increased costs and reduced supply of housing - tightening the overall housing market as developers will redirect funds to other Councils, interstate or overseas investment opportunities. Even if development proceeds with these additional cost burdens, the levies will add to costs for the developer, which means that the final price charged to consumers is likely to be higher across the market. Indeed, this has happened in Sydney. Fortunately, the draft strategy appropriately recognises the need for private sector involvement in funding affordable housing. The Property Council believes the development of a listed housing trust, modelled on existing listed property trusts, but supported by a Government subsidy, could deliver extensive affordable housing to Western Australians suffering from 'housing stress'. An alternative approach would be to provide for tenants to grow an equity interest in their properties. Affordable housing policies must also address some tensions with sustainable developments. A paper containing this 'private-public' sector solution to the growing need for affordable housing stock is expected to be available in the near future on this issue which will be forwarded to the WA Government.

5. Draft strategy 4.59 suggests a move away from the current energy rating tools endorsed nationally. Any new tools must be carefully considered within a national context of industry and jurisdictional acceptance of a standard framework for properties. Alternative energy rating schemes could also disadvantage WA based building contractors and suppliers. Working to a lower standard will inhibit exports to other states at the lower end of the market. Tools must also be practical or they will fail to achieve their aims.
6. The strategy states, "*Develop new initiatives to manage peak load demand*" at 4.67. However, there is no further detail. There may be an opportunity to explore options for peak load electricity generation in commercial properties. Innovative strategies have been proposed in this area.
7. There is a strong focus on renewable energy in the draft strategy. It states that a goal is to increase the "*Amount and proportion of renewable energy use in Western Australia*" (at page 156). This is a worthy goal, but is important to consider the total cost of achieving this goal rather than other goals. Simply to look at use is not sufficient. Any calculation of benefits and costs should consider the capital costs of renewable energy and opportunity costs (e.g. the investment that could otherwise be made in energy demand management or other strategies to conserve energy).
8. Draft strategy 4.79 proposes a guide developed in consultation with industry stakeholders. There is a definite need for information on sustainable building practices aimed at the planning, development and construction sectors. However, it is not clear what building types are being referred to by these actions. Moreover, there is no mention of incorporating existing tools into a broader framework dealing with sustainability. Any Sustainable Planning, Building and Construction Guide should make specific mention of examining the range of programs and tools in use nationally and internationally to assess their applicability for the Western Australian circumstances. The Property Council would be pleased to work on publications of this nature with the WA Government.
9. A vision is presented where "*Growth management is implemented to enable towns and areas of the city with significant decline problems to be developed in sustainable ways.*" The paper later recognises that "*inner areas of Perth (such as East Perth and Subiaco) have mostly been regenerated over the past twenty years through market forces but also through government assistance*" (at page 137). However, the proposed actions do not include strategies that look at the current disincentives to investment, and in particular the deterrent effect of stamp duties and land tax increases. The growth of the economy that drives urban revitalisation and jobs growth is underpinned by investment, which is significantly affected by tax structures. In short, a thorough

analysis would countenance tax and other strategies that would encourage and attract investment for jobs and urban growth.

Property Council liaison

Having supported the thrust of the draft strategy, but with some reservations about some aspects, the Property Council would be pleased to work with the State Government to ensure the delivery of practical sustainability principles that are likely to encourage participation and support from the property industry.

As indicated above, it is a core aim of the Property Council to change the market behaviour in Western Australia towards more environmentally sustainable practices by educating and showing businesses how to better achieve environmental, social and economic benefits.

The Property Council would be pleased to focus on those areas where it can make a difference, to assist the Government in:

- Reducing greenhouse gas emissions in the property and construction sectors;
- Improving the planning system to a best practice standard that recognizes the triple bottom line;
- Integrating development control legislation with that which protects the environment;
- Improving urban design outcomes;
- Modifying corporate behaviour by providing incentive systems; and
- Developing practices that minimise the consumption of scarce resources and maximise the reuse of materials.

We would be happy to further discuss any of these comments and look forward to being involved in developing strategies to promote sustainable development in the property sector.

Yours sincerely

Geoff Cooper
POLICY MANAGER