

## 1. Summary

The Victorian division of the Urban Development Institute of Australia (UDIA Victoria) welcomes the opportunity to respond to the proposed long-term lease of the land titles and registry functions of Land Use Victoria (LUV).

UDIA Victoria broadly supports partial privatisation of LUV, with profits of the long-term lease intended to go towards state infrastructure spending. However, we strongly caution the Government against proceeding with the commercialisation arrangements at the expense of alternative policy considerations.

The industry's primary concern is that privatisation would give rise to an uncompetitive, poorly regulated environment for the titles and registry functions. Recognising the role of the planning system in facilitating the efficient and cost-effective delivery of new homes, it is critically important to ensure partial privatisation of LUV does not have adverse effects on the time or cost associated with the land titles and registry functions of the planning system. This is particularly important in the context of the production of new housing and communities, and Victoria's housing affordability crisis.

UDIA Victoria urges the State Government to establish robust, long-term accountability measures that will cap price increases, drive efficiency, increase transparency and ensure service standards across the commercialised functions of LUV do not decline.

UDIA Victoria is further concerned that the proposed financial arrangements of the sale, as well as the demonstrated cost and benefit of those arrangements, may not achieve maximum benefit for Victoria in the long term.

Given that revenue from the land titles and registry functions of LUV is proposed to contribute funds for investment in state infrastructure, an evidence-based review is required to demonstrate that the proposed arrangements are not focussed on short term benefits at the expense of long term funding for infrastructure.

With consideration to the contents of this submission, UDIA Victoria recommends that:

- a) Any final privatisation arrangements are based off robust regulatory and accountability measures that minimises potential for commercialisation to result in increased costs and declining service levels that would place upwards pressure on house prices; and
- b) The final arrangement must publicly demonstrate how it has contemplated short, medium and longer-term infrastructure investment priorities and how the arrangement benefits Victoria beyond the short term.

UDIA Victoria welcomes the conversation that this inquiry has begun. We eagerly anticipate the proper economic analysis and evaluation of the implications on housing affordability and benefits for the state, with safeguards implemented to address any unintended consequences that could arise, which we would expect as part of a fully formed commercialisation arrangement.



July 2018

## UDIA Victoria Submission

Inquiry into the proposed long-term lease of the land titles and registry functions of Land Use Victoria

---

## 2. About Us

### Urban Development Institute of Australia (Victoria)

The Urban Development Institute of Australia (UDIA) is the peak industry body for the urban development sector. In Victoria alone, we represent the collective views of over 320 member companies including developers, consultants, financial institutions, suppliers, government authorities and utilities. Together we drive industry discussion and debate, which serves to assist key regulators and all levels of government in achieving successful planning, infrastructure, affordability and environmental outcomes.

## 3. Contact

<b>Hyatt Nidam</b> <b>Advocacy and Communications Manager</b> Urban Development Institute of Australia (Victoria)  E: <a href="mailto:hyatt@udiavic.com.au">hyatt@udiavic.com.au</a>	<b>Policy Team</b> Urban Development Institute of Australia (Victoria)  E: <a href="mailto:policy@udiavic.com.au">policy@udiavic.com.au</a>
---	---

## 4. Considerations and context

While the below macro policy issues are not the subject of the Environment and Planning Committee's deliberation into the proposed long-term lease of the land titles and registry functions of Land Use Victoria (LUV), they must be considered as part of the wider housing market in which the partial privatisation of LUV will play a role.

### 4.1 Population growth

Australia's population grew by 1.6% during 2017. Victoria recorded the highest growth rate of all states and territories at 2.3%, equating to more than \$140,000 new people in the year.<sup>1</sup>

While UDIA Victoria welcomes population growth, which underpins our economy, we recognise it poses a critical issue when not accurately forecast or planned for. Unfortunately, in Victoria, there has been years of discrepancies between forecasted and actual growth. For example, Victoria's population grew by 144,000 in the 12 months to June 2017; materially faster than the 112,000 per year forecast in Plan Melbourne.<sup>2</sup> In 2031 we will have at least 665,000 more people than what was forecast for that year a decade ago.<sup>3</sup>

Years of underestimating population growth has resulted in policy and processes that fail to meet the needs of our new and growing communities. It is therefore critical that any changes to the Victorian planning system deliver demonstrable efficiency improvements that will enable the urban development industry to deliver the high volume of housing and infrastructure required to meet the demands of population growth as it occurs.

### 4.2 Housing affordability

Since 2012, house prices have risen by 50 per cent in Melbourne.<sup>4</sup> The median Melbourne house price is greater than \$900,000<sup>5</sup> and is now almost 10 times higher than the median household income, making us the fifth "least affordable" city in the world.<sup>6</sup> Increasing the supply of new housing to meet current and future demand is a critical component of solving to our affordability crisis.

According to the UDIA Residential Development Index (RDI), between 2018-19 and 2020-21, total dwelling commencements across Victoria must average 75,000 per annum to supply an adequate volume of net additional dwellings to meet demand. This compares to average levels of 66,440 dwelling commencements per annum between 2014-15 and 2016-17.

It is therefore imperative that Government actions prioritise housing affordability through measures that streamline the planning process, enabling the development industry to balance up supply and demand and put downward pressure on house prices.

---

<sup>1</sup> ABS December 2017 Quarter Data:

<http://www.abs.gov.au/ausstats/abs@.nsf/0/D56C4A3E41586764CA2581A70015893E?Opendocument>

<sup>2</sup> Grattan Institute Housing Affordability: Re-imagining the Australian Dream, March 2018

<sup>3</sup> [UDIA Residential Development Index Report, March 2018 update](#)

<sup>4</sup> Grattan Institute Housing Affordability: Re-imagining the Australian Dream, March 2018

<sup>5</sup> Domain Group State of the Market, February 2018

<sup>6</sup> 14th Annual Demographia International Housing Affordability Survey, 2018

#### *4.3 PEXA mandate*

Property Exchange Australia (PEXA) was formed in 2010 to fulfil the Council of Australian Governments' initiative to deliver a single, national e-Conveyancing solution to the Australian property industry. PEXA has since been working towards a 100% digital conveyancing process.

PEXA is compliant with the Model Operating Requirements as set by the e-conveyancing regulator, the Australian Registrars' National Electronic Conveyancing Council (ARNECC). ARNECC membership comprises the Land Titles Registrars from each state and territory that has entered the Intergovernmental Agreement among the state and territory governments.<sup>7</sup>

The PEXA platform is due to be mandated for use in Victoria commencing on 1 October 2018, making it compulsory for conveyancing transactions to be processed digitally via PEXA.

While the PEXA mandate arrangements are not the focus of the Committee's deliberation, it is important to recognise that the development industry is currently contemplating the impacts of the PEXA mandate – a change which will significantly affect the state's title regulation system – in parallel with the proposed long-term lease of the land titles and registry functions of LUV.

UDIA Victoria has significant concerns with regards to the PEXA platform and the regulation and operation of electronic conveyancing platforms in Victoria. We are currently working with PEXA and LUV to address these issues, which span functionality, efficiency, security and competition policy issues associated with the PEXA platform and the upcoming mandate. This parallel process must be acknowledged by Government in order to recognise the interplay between changes that will come into effect as a result of the PEXA mandate, and those that may result from the LUV partial privatisation. In both instances, we are considering the impact of ownership transition matters that will change the way the development industry interacts with LUV, and the potential for unintended consequences to arise.

For example, UDIA Victoria is concerned that once PEXA is mandated on 1 October 2018, the development industry will experience delays due to the platform not being ready to complete large-scale high-volume tasks at a pace comparable to current processes. There is also concern at only having one mandated Electronic Lodgement Network Operator in this space; a situation that could give rise to a monopoly environment that offers little to no incentive for PEXA to increase efficiencies or offer competitive service.

Similarly, in the case of the proposed partial privatisation of LUV, these unintended consequences must be considered and mitigated.

It is important that our title regulation system does not become compromised at any point in time as a result of either the PEXA mandate, the commercialisation of LUV's land titles and registry functions, or as a result of both changes coming into effect simultaneously.

#### *4.4 Industry engagement*

Recognising that each stage in the planning system plays a part in facilitating the timely and cost-effective delivery of new homes, UDIA Victoria has collaborated with government on several initiatives that encourage the timely provision of new housing supply.

---

<sup>7</sup> ARNECC website, [https://www.arnecc.gov.au/about\\_us](https://www.arnecc.gov.au/about_us) accessed 19/07/2018

Last year, we worked closely with LUV to implement a system to improve timeframes for the registration of subdivisions of 10 or more lots.

Plans of subdivision of over 10 lots only make up 15% of all applications, yet create around 70% of all new lots. However, around 50% of these lodgements are requisitioned due to errors.

Through collaboration with UDIA Victoria, LUV trialled a new system to get registration of these plans completed within five business days from lodgement, providing no errors were identified on the plans or any other documents required for registrations. The five-day registration process puts the onus on developers and consultants to ensure plans and all associated documents are correct if they want to receive priority attention.

The trial five-day subdivision registration process has been overwhelmingly positive with strong support from industry and government for the permanent continuation of the initiative. From a State perspective, the initiative was very well received because it delivered demonstrable progress towards meeting the production challenges hindering the timely delivery of new homes.

In deliberating the proposed long-term lease of the land titles and registry functions of LUV, UDIA Victoria urges the Committee to consider how the arrangement may affect industry's ability to engage and collaborate with the titles office for the benefit of Victorians. Our concern is that if a private operator were to charge a premium for a prioritised pathway – like that which was established through the five-day subdivision registration process – or if there was less willingness from the private operator to engage to increase efficiencies, then that would represent a step backwards for the urban development industry.

## 5. Issues and recommendations

### 5.1 Cost increases

A significant risk with privatising a government function is the potential for the private operator to increase costs associated with the service at an unreasonable rate. This potential is exacerbated when the function is monopolised and not subject to a competitive operating environment.

We understand that in the case of the proposed long-term lease of the land titles and registry functions of LUV, the private operator would remain under the oversight of a state-controlled registry of titles. UDIA Victoria considers this a critical component of the commercialisation arrangement, which should ensure that the State remains in control of setting prices. We seek legislative assurance that this would remain the case beyond the short term. Further, we support a capped consumer price index increase to fees charged by the private operator over time, unless cost increases are accompanied by evidence that demonstrates increased charges have been offset by service improvements.

Ultimately, the costs associated with the privatised functions must reflect the fact that the land titles and registry functions are an essential service for Victorians, and should therefore remain at a reasonable price.

### 5.2 Service delivery

At present, the development industry is relatively satisfied with the service provided by LUV through its land titles and registry functions. While we are not opposed to partial privatisation, there would need long-term accountability measures in place to ensure that service standards across the title regulation system will not be compromised as a result of privatisation, before we can offer our full support.

UDIA Victoria expects that a robust set of accountability measures would focus on preventing any added time or risk to the development process, so as to ensure the commercialised functions of LUV do not come at the expense of policy considerations related to housing affordability.

### *5.3 Accessibility of data*

While UDIA Victoria can appreciate that the data component is one of the most valuable aspects of the proposed long-term lease for private operators, it is important to recognise that some of the data should remain publicly accessible – for example the information that is needed by the everyday person to transact their property. Further, data that could be used for commercial or research use should not become prohibitively expensive once privatised.

Additionally, it is important to acknowledge the great power and intellectual property that comes with the data around Victoria's property system. There must be safeguards in the commercialisation arrangement that protect the data and prevent its misuse.

### *5.3 Cost/benefit to Victoria*

Given that revenue from the land titles and registry functions of LUV contributes funds for state infrastructure, we must ensure that the appeal of a short-term profit associated with the commercialisation arrangement does not compromise a steady revenue source.

UDIA Victoria recommends an evidence-based review be made publicly available to demonstrate that the proposed financial arrangements are not focussed on short term benefits at the expense of long term funding for infrastructure. The final arrangement must demonstrate how it has contemplated short, medium and longer-term infrastructure investment priorities and how the arrangement benefits Victoria.