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10 September 2006

Dr. Hanna Jaireth,
P & E Committee Secretary,
Legislative Assembly for the ACT,
GPO Box 1020,
Canberra ACT 2601

Dear Dr. Jaireth,

Further to my submission dated 28 August on ACTPLA's Planning System Reform Project (and with particular reference to what I said about the change-of-use charge), you might be interested in copies of two Letters I've sent to the Editor of the Canberra Times on the subject. The one dated 31 August was published on 2 Sept.. I don't know whether they'll publish the one dated 10 Sept. (which I've obviously just sent) or not.

Yours sincerely,

R. S. GILBERT

Ron Gilbert

From: "Ron Gilbert" <ronsol@bigpond.net.au>
To: "letters to the editor" <letters.editor@canberratimes.com.au>
Sent: Thursday, 31 August 2006 12:17 PM
Subject: TAXING DEVELOPMENT

Planning academic Patrick Troy rightly criticises the Prime Minister for advocating more greenfields development (instead of inner-suburban redevelopment), pointing out that it involves more expensive infrastructure and other 'distance problems' (CT 31 Aug, p.1). And the ACT Govt. apparently recognises that, because its planning policies provide for redevelopment to create medium-density housing in the inner suburbs.

However, where the ACT Govt. is 'cutting off its nose to spite its face' is in imposing a very high tax indeed on inner-suburban redevelopment (a change-of-use charge), which acts as a dampener on redevelopment. The impost is 75% of the increase in value of the land when redevelopment takes place. It would be the highest Govt. impost (Federal, State or Territory) in Australia; I know of no other activity that bears a tax as high as 75%.

True, there's been a lot of redevelopment in Canberra's inner suburbs in recent years, despite the change-of-use charge. But that's because most of the redevelopment has been on land leased before 1971, which, because of the terms of the lease, doesn't attract the charge in respect of the redevelopment (it attracts only a smaller charge in respect of subdivision to provide individual titles to the townhouses or apartments built). But as time passes and the supply of pre-1971 land dries up, a tax as high as 75% is going to limit redevelopment considerably.

The Govt. would be wise to scrap the charge.

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Ron Gilbert

From: "Ron Gilbert" <ronsol@bigpond.net.au>
To: "letters to the editor" <letters.editor@canberratimes.com.au>
Sent: Sunday, 10 September 2006 1:56 PM
Subject: THE UNCERTAIN CHANGE-OF-USE CHARGE (BETTERMENT)

Apparently ACTPLA imposed a change-of-use charge of $ 13 million for the section 84 development in Civic, but the AAT reduced this on appeal to $ 6.35 million - about half (CT 9 Sept, p.2). That's bad public administration. And it isn't a new experience; last March the AAT criticised ACTPLA for imposing a charge *three times* higher than it should have been.

This shows what an unsatisfactory levy the change-of-use charge is. Any Govt. impost should be simple and certain, but the change-of-use charge is neither. It involves theoretical calculations of differences in value of land if used for one purpose, and what its value would be if instead it was used for another purpose. Land valuation is an inexact science anyway. And it becomes even more uncertain when it has to rely on individual opinions about theoretical values if the land were to be used for different purposes. It is also a costly tax to administer.

The difficulties are illustrated by the fact that the method of calculating the charge has been changed *7* ***times*** since it was introduced - and reinforced by the admission by Minister Corbell that the "huge difference (about $6 million in this case) was simply the different opinions of valuers"!! Dependence on the personal opinions of individual bureaucrats is *not* a good basis for a Govt. levy.

The charge should be scrapped forthwith (as a 1999 report commissioned by the Govt. recommended, incidently), and replaced by a levy ***not*** related to land values.

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