Submission Cover Sheet

Inquiry into the Fiscal Sustainability of the ACT

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Submission to the Select Committee on the Fiscal Sustainability of the ACT

The ACT government, like any government, cannot achieve fiscal sustainability if money is introduced into the community through capitalised loans. Unfortunately, most money enters the economy through capitalised bank loans. These loans enable private banks to lend new money, at a cost higher than its actual value. Banks acquire this money at cost and then lend it out for more than its value.

It doesn't have to be this way, and the ACT government can change it for housing - starting with the Federal government's Build to Rent incentives. However, they can also do the same with existing neighbourhoods, reducing the cost of buying a house by about 50% using the same principles while leaving the price the same. The ACT government can also work with a community bank and replace many of the taxes now imposed on households and businesses, such as stamp duty and payroll taxes.

The approach is a way of implementing Modern Monetary Theory that says governments should spend money into existence. What is proposed is not spending money into existence but selling money into existence.

To illustrate, please read or listen to the 7-minute Medium Article Build to Rent or Build to Buy.

Another is to look at a series of 7 articles sent last week to the "Future Made in Australia" federal government group. It starts with A Future Made in Australia Is the Right Idea at the Right Time.

The proposed approach can eliminate all debt of the ACT government and its agencies, as well as household and business debt, without changing people's behaviour. Instead, it focuses on how we distribute surpluses and new capital, which involves bookkeeping adjustments. The committee can recommend small-scale neighbourhood trials and assist local communities, along with community banks, in navigating the relevant rules and regulations. This support would empower local communities, including business groups, to change how they finance assets. These trials will provide valuable insights for the committee, supporting its efforts to recommend measures to achieve fiscal sustainability for the ACT.

Further background reading is I Asked the Government How Much Money Enters the Economy. The Answer Was They Don't Know.

And Economics is not an objective science.

Submission to the Select Committee on the Fiscal Sustainability of the ACT

Ngunnawal Housing Refinancing Pilot

An operational policy experiment to inform fiscal sustainability using "the policy playbook" approach to policy development

This submission proposes a small, time-limited operational pilot that could run in parallel with the Select Committee on the Fiscal Sustainability of the ACT. It is not intended to replace, duplicate, or pre-empt the Committee's review. Rather, it is offered as a practical way to generate real-world evidence on one specific and material contributor to long-term fiscal pressure: the lifecycle cost of capital embedded in asset financing.

The proposal is framed using what is often described as a policy-journey approach, as advocated in *The Policy Playbook*. That approach treats policy not as a single decision or report, but as a sequence of small, testable steps, in which learning from real-world operations precedes any consideration of scale or permanence.

A growing share of both public and household expenditure is attributable not to the direct cost of assets themselves, but to the structure of long-term financing arrangements. Over extended repayment periods, interest capitalisation substantially increases total costs. These additional costs then appear in budgets year after year as if they were unavoidable, even though they arise from financing design rather than service provision. While this dynamic is well recognised in aggregate fiscal analysis, it is rarely examined empirically at a scale that enables policymakers to observe how it operates in practice.

The proposal presented here treats the financing structure as a variable to be examined rather than as a fixed background condition. The question it seeks to explore is not whether debt exists, but whether the way debt is structured materially increases lifetime costs and whether costs can be reduced without reducing services or creating inflationary pressures.

Housing has been selected as the initial test case because it is a long-lived asset, typically financed over several decades, and highly sensitive to interest capitalisation. It also has the advantage that impacts can be clearly observed at the household and neighbourhood levels. Ngunnawal provides a suitable context for a bounded pilot because it represents a typical suburban housing profile and allows participation at the community scale without introducing additional complications such as land acquisition, planning reform, or new construction.

The proposed pilot would involve approximately 300 existing dwellings in Ngunnawal. Participation would be voluntary and limited to refinancing and repayment arrangements. No changes to land use, ownership rights, or planning controls are proposed. The assets themselves would remain unchanged. The trial would assess how the financial flows associated with those assets behave under different repayment structures.

The pilot is deliberately framed as an operational experiment rather than a reform proposal. It follows the adaptive policy logic described in *The Policy Playbook*, in which policy development proceeds through bounded trials, observation, and learning rather than through abstract prescription. The intention is not to assert that a particular outcome will occur, but to create the conditions under which evidence can be generated and assessed.

The financing logic being explored is not unprecedented. In periods of economic stress, governments have previously used direct liquidity injections and refinancing mechanisms to stabilise balance sheets and reduce debt-servicing pressure, particularly when funds are used to replace existing obligations rather than to create new demand. Those interventions were not inflationary precisely because they displaced existing financial commitments rather than adding to them. This pilot explores whether similar principles can be applied at the community scale, using housing as a test asset, and whether doing so can materially reduce total financing costs while maintaining repayment discipline and financial integrity.

Over the course of the pilot, the work would involve mapping existing loan and repayment structures for participating dwellings, designing and documenting an alternative refinancing approach that avoids interest capitalisation while maintaining repayment certainty, and establishing appropriate governance and accounting arrangements at the community scale. Administrative effort, transaction complexity, and compliance issues would be documented as carefully as financial outcomes. Lifecycle repayment profiles under existing and alternative arrangements are compared, and the associated risks, constraints, and points of failure are explicitly documented.

The primary output would be a concise public report suitable for scrutiny by the Assembly, Treasury, and the Select Committee. The report would clearly distinguish between observed outcomes and assumptions, and document both positive and negative findings. The aim is to add practical evidence to the discussion of fiscal sustainability, not to advocate a predetermined solution.

If the pilot demonstrates that financing structure alone can materially reduce lifecycle costs for housing assets, that finding would be relevant to other long-lived, capital-intensive assets such as hospitals, schools, transport infrastructure, and energy systems. If it does not, that outcome would be equally valuable, as it would clarify the limits of what can reasonably be achieved and avoid speculative policy extension. Either way, the pilot contributes grounded information to the Committee's work.

This proposal should be understood as an early step in a longer policy journey. It does not require legislative change, does not displace existing financing systems, and does not assume scale or permanence. Decisions about whether to continue, adapt, or discontinue the approach would be guided by the evidence generated.

Long-term fiscal sustainability depends not only on revenue and service demand but also on the structural efficiency of asset financing over time. This submission offers a practical, low-risk way to test one such efficiency claim under real-world conditions, alongside the Committee's broader review. It is offered as a contribution to learning and policy development, consistent with contemporary adaptive policy practice, rather than as a prescription for reform.

Plugging the Leak: Capitalised Interest and Fiscal Sustainability

Ngunnawal Housing Refinancing Pilot as a Demonstration of Fiscal Sustainability Reform

Rather than duplicating the independent fiscal review process already envisaged by the Select Committee, this proposal offers a parallel, practical demonstration that can run in parallel with it. The intent is not to tell the government what to do, but to show, in a contained and measurable way, how to achieve significant cost reductions by changing how finance is structured rather than the services themselves.

The proposal is to undertake a community-scale housing refinancing pilot in Ngunnawal, involving approximately 300 houses, using the same core principles that governments have successfully applied during financial stress, most notably during COVID and the 2008 Global Crisis. In those cases, money was injected directly to replace existing financial obligations, reducing costs without generating inflation, because the funds displaced existing costs rather than adding new demand.

The Ngunnawal pilot would apply this same logic at the neighbourhood scale. It would refinance existing housing loans through a Fair Points Market structure that replaces interest-bearing debt with a lower-cost, community-governed repayment mechanism. The underlying housing assets remain unchanged. The change is purely financial. The expected outcome is a substantial reduction in lifetime housing costs for participating households, conservatively estimated at around half of current financing costs.

This matters for fiscal sustainability because housing finance is not just a private issue. High housing costs drain disposable income, increase wage pressure, and drive demand for public spending across health, transport, and social services. When housing costs fall, local financial capacity increases. That capacity is reinvested in community infrastructure, services, and resilience, rather than being extracted as interest.

The pilot is deliberately sized to be small enough to manage and large enough to be meaningful. Three hundred houses are sufficient to demonstrate administrative feasibility, community governance, accounting integrity, and real financial outcomes. It is also small enough to be undertaken quickly and transparently.

The work would not involve changing planning rules, acquiring land, or altering ownership structures. It would focus on:

- mapping existing loan structures and repayment profiles
- designing a refinancing mechanism that replaces interest costs with lower-cost repayment flows
- establishing the community governance arrangements needed to manage the process
- modelling and documenting the cost savings for households and the wider community

- identifying the conditions for scaling across all suburbs.

The significance of this pilot lies in its transferability. If the approach works for a small community group, it can be applied to any asset class where long-term financing costs dominate total expenditure. That includes public housing, hospitals, schools, roads, and light rail. In all of these cases, the asset itself is not the problem. The financing structure is.

For the ACT Government, the opportunity is substantial. As current budget papers show, interest costs alone are now hundreds of millions of dollars per year and rising. Demonstrating a credible pathway to halve financing costs for long-lived assets would have immediate relevance for fiscal sustainability, without requiring service cuts or new taxes.

Importantly, this proposal does not ask the Select Committee to endorse the model in advance. It asks only that the Assembly support a modest, time-limited pilot, evaluated alongside more traditional fiscal analysis. The results can then be compared directly with the broader review's findings, providing Parliament with both an abstract diagnosis and concrete evidence.

Why this strengthens, rather than competes with, the Committee’s work

The Select Committee is tasked with understanding the Territory’s fiscal sustainability at a system level. This pilot does not attempt to replace that analysis. Instead, it provides a grounded, real-world test of one of the most powerful levers identified in that discussion: the cost of finance.

By running in parallel, the two processes reinforce each other. The committee’s review identifies pressures and trajectories. The pilot demonstrates whether and how to reduce those pressures.

If the pilot fails, that is valuable information as well. If it succeeds, it provides a pathway that can be scaled thoughtfully, asset by asset, community by community, and eventually across government.

In that sense, the proposal is deliberately evolutionary. It treats fiscal sustainability not as a single report, but as a process of learning, demonstration, and gradual institutional change.

Localisation, Affordable Housing, and the Missing Institutional Link

Much of the current discussion about greenhouse gas reduction and housing affordability treats them as separate problems. Climate policy focuses on emissions and technology, while housing policy focuses on supply, subsidies, and prices. From the perspective of living streets and neighbourhood life, this separation is a mistake. Both problems arise from the same underlying issue: the loss of localisation, and with it the loss of local economic and institutional capacity.

Walkability is often described as a design preference, but it is better understood as a form of localisation. It describes whether people can meet their everyday needs close to home, as part of ordinary life. When neighbourhoods are localised, people walk more, drive less, and generate fewer emissions “naturally”. When neighbourhoods are not localised, emissions rise structurally, regardless of how efficient vehicles become. Distance, not intention, is the dominant driver.

Canberra once understood this. Earlier suburbs were planned as complete neighbourhoods, with schools, shops, services, and public space within walking distance. That outcome was not accidental. It was produced by institutions that planned whole neighbourhood systems and that coordinated land use, education, transport, and infrastructure over long time horizons. Those institutions no longer exist in the same form.

What we see today is infill that increases population without increasing localisation. More dwellings are added, but schools remain distant, shops are centralised, health services are stretched, and daily life still requires a car. From a greenhouse perspective, this is a structural failure. Each additional household is locked into higher transport emissions by design. From a social perspective, this is experienced as pressure rather than benefit, which explains why resistance to infill is widespread and rational.

The missing piece is not better consultation. It is local institutional capacity. Communities are currently asked for input, but they have no budgets, no assets, and no formal role in shaping outcomes. Community councils exist, but they are advisory bodies without agency. They cannot initiate projects, allocate resources, or be accountable for results. Localisation cannot emerge under those conditions. It requires that neighbourhoods be recognised as economic and planning units, not merely for validation of decisions made elsewhere.

This is where affordable housing becomes central, not just as a social policy, but as a governance and climate strategy. Housing is the largest cost faced by households. When housing costs are reduced through community-based, non-speculative financing, disposable income is increased. That freed-up income does not disappear. It becomes the financial capacity that allows neighbourhoods to invest collectively in local services, shared infrastructure, and walkable environments.

Affordable housing, when organised at the neighbourhood scale, also creates durable local institutions. Housing cooperatives, community land trusts, and similar structures have ongoing responsibilities, predictable cash flows, and a long-term interest in neighbourhood outcomes. Once such institutions exist, they become natural vehicles for broader localisation. Decisions about density, services, energy systems, and shared spaces can be made collectively rather than imposed externally.

This is the point at which fiscal reform and localisation converge. Democratising finance at the neighbourhood scale enables communities to capture value that currently leaks out due to high housing costs and long travel distances. Instead of households individually paying more for housing and transport, those funds can be pooled and redirected to local schools, services, and infrastructure. Emissions fall because distances shrink. Public costs fall because infrastructure is shared. Social support improves because institutions are local and accountable.

For the government, this represents a shift in the interaction between budgeting and planning. Rather than funding emissions reduction, housing, and infrastructure as separate silos, localisation allows a single intervention to deliver multiple outcomes. Reducing housing costs strengthens local finances. Strengthened local finances enable walkability and shared services. Walkability reduces transport emissions and long-term public expenditure.

None of this will happen by accident. It requires institutional change in how the ACT Government interacts with its citizens. Neighbourhood scale entities need to be formally recognised, resourced, and embedded in the planning process. Affordable housing programs should be explicitly designed to seed these institutions, rather than merely to deliver dwellings. Infill should be tied to the presence of local governance and local capacity, so that growth strengthens neighbourhoods rather than eroding them.

From a living streets perspective, the argument is simple. Climate policy, housing affordability, and neighbourhood life are not competing goals. They are the same goal seen from different angles. Localisation is the common thread. Affordable housing is the financial enabler. Democratic, local institutions are the missing mechanism.

If greenhouse gas reduction is to be durable and socially supported, it must be embedded in the fabric of daily life. That means rebuilding the institutions that make neighbourhoods walkable, affordable, and economically capable again, this time from the ground up rather than imposed from the centre.