

Hon. Colin Barnett MLA
Premier; Minister for State Development; Science
1 Parliament Place
West Perth
Perth WA
6005

Dear Premier,

2014/15 State Budget

The Property Council represents businesses that are directly impacted by the 2014/15 Budget and therefore would like to make comment on several measures introduced that will affect the viability of WA's property sector:

The Increase in Land Tax Rates

The WA property sector was frustrated by the 10% increase in land tax rates. In addition to the 12.5% increase announced in the 2013/14 budget, land tax rates have increased by 22.5% in two years. This unacceptable increase has worsened an already lop-side and inequitable land tax system where:

- At least 77% of the revenue raised by is obtained from just 6.6% of land tax payers.
- Less than 5% of the revenue raised is obtained from more than 80% of land tax payers.
- WA now has a top marginal tax rate of 2.67%, which is the second highest in the country, higher than Victoria, New South Wales and Queensland.

The burden of the land tax rate increase is pushed onto larger landholders – mostly owners of multiple properties and their tenants. This makes WA a less affordable place to invest and do business. Over the long-term, the narrowing tax-base will threaten the sustainability of tax revenue and will limit the organic growth of land tax revenue based on the valuation criteria.

The Property Council again urges the Government to commit to a review of land taxes to make the system fair, equitable and sustainable. A land tax review should reassess land tax thresholds, abolish land tax aggregation at an entity levy, cap land tax assessments and re-examine land tax exemptions.

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The Perth Parking Levy

The Perth Parking Levy will increase by \$365 over two year to reach \$1093.70 in 2015/16. The Perth Parking Levy was initially set up to administer car parking in the CBD, which was followed by funding for the CAT buses in the CBD. The purpose of the Perth Parking Levy continues to be redefined and in this latest Budget the Levy increase will be used to fund the new Perth Busport.

The Property Council strongly disagrees with the increase in the Levy. It is inappropriate for CBD businesses to fund a key public transport node that will service the greater Perth metropolitan area not the just CBD area. As the cost of doing business will become more expensive due to the Levy increases, it will be the workers and visitors in the CBD that will be forced to pay for the increase. Ultimately the Levy increase will hamper the growth of the State's capital city and will influence businesses to relocate to outside the CBD.

Infrastructure Investment

The Asset Investment Program totaled \$6.7 billion, which is lower than the 2013/14 asset investment program. The Property Council believes that, given the limited resources available, the planning, prioritization and delivery of infrastructure needs to be supported by a long-term infrastructure plan underpinned by rigorous cost-benefit analyses and committed funding. This information needs to be publically available and coordinated by an independent body to ensure that infrastructure investments deliver the best value for money.

Without a long-term infrastructure plan and an independent body, the Government's success in attracting private investment will be limited.

Asset Recycling Initiative

The Property Council strongly supports the sale of publically owned assets as a key reform priority as identified by the Budget. The Property Council believes that the proceeds raised from government asset sales must be recycled to fund strategic infrastructure that supports the continued growth of WA, not as a strategy to pay off debt.

The Property Council, however, was disappointed by the fact that little progress has been made since the initial asset sale announcement in the 2013/14 Mid-Year Budget Review. The sale of land and property assets requires favourable market conditions to ensure that Government receives a fair return for its assets. It is therefore crucial that the Government acts with reasonable haste to take advantage of current favourable land and property market conditions and ensure that WA obtains a fair share of the Commonwealth Government's \$ 5 billion Asset Recycling Program.

The Property Council acknowledges that an Asset Sale Taskforce has been established, but little to no information has been provided to the private sector. The Property Council urges the Government to partner with the private sector in

the process for selecting the land and property assets to be offered to the market.

Overall Comment

The Property Council acknowledges the difficulty of the current fiscal environment. However, the Budget failed to deliver a strategy to engage with industries, including the property sector, to keep WA growing post the mining investment boom.

As stated in our 2014/15 Pre-Budget Submission, bold reforms are needed to guide the economy through the transition phase of the resource sector. The opportunity to reform the Budget's structural faults; predominately the inequitable tax system, was passed over in favour of unacceptable tax increases. The lack of direction to sustain the State's infrastructure program beyond the completion of current projects fails to demonstrate a vision to encourage private investment. The failure to progress the highly anticipated asset recycling initiative in a meaningful manner was a further disappointment for the property sector.

The Property Council looks forward to working with the Government and we stand ready to discuss any of the issues raised.

Yours Sincerely,

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Cc Dr. Michael Nahan MLA

Treasurer; Minister for Energy; Citizenship and Multicultural Interests