



Property Council of Australia (ACT)

Response to the ACT Skills Commission Interim Report

November 2007



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1. Executive Summary

The Property Council believes that the current skills shortage is a symptom of the broader and more fundamental problem of a lack of population in the ACT. To that end, the ACT Government should focus its efforts on attracting and retaining people in the ACT to provide a sufficient skill base both now and into the future.

The Property Council agrees with the Skills Commission's view that unless Canberra's low population growth is addressed and reversed, the consequences for the economy and the ACT Budget will be significant.

The Property Council believes that housing affordability and availability is one of the greatest impediments to Canberra increasing its population growth. While the report notes the impact of housing affordability on the marketability of Canberra, it does not give it the emphasis that it deserves given its role in Canberra's growth.

The Property Council believes that the following should occur as a matter of urgency:

- i) The ACT Government should immediately commit to an ACT population policy with a target of 500,000 people by 2030;
- ii) Stamp duty should be reviewed and reduced for first home buyers as a way of increasing Canberra's competitiveness with other states, particularly New South Wales;
- iii) The full suite of property taxes, including land tax, should be reviewed in the context of Canberra's ability to attract and retain a greater share of Australia's skilled workforce;
- iv) The ACT Government should immediately commit to an ACT population policy with a target of 500,000 people by 2030;
- v) Establish a new unit within the Chief Minister's department to develop and implement strategies to meet the population target and to provide a whole-of-government approach to addressing this issue. The unit would also coordinate with business and the Commonwealth Government in the

promotion of Canberra to potential immigrants, whether from interstate or overseas. This new unit would also be responsible for implementing the recommendations of the Skills Commission report and providing ongoing advice to the ACT Government;

- vi) Increase the land supply in the ACT in order to improve housing affordability and availability.

While the Skills Commission report contains some worthy recommendations, there are others which raise serious questions and they need to be given careful consideration by government. The Property Council believes the ACT Government should provide some indication of its position on the proposed recommendations before the Skills Commission issues its final report, which should also have a period of public consultation prior to its final delivery to government.

The Property Council welcomes the report and efforts of the Skills Commission to address what is one of, if not the single biggest threat, to Canberra's long term economic future.

2. Who we are

The Property Council welcomes the opportunity to comment on the Interim Report from the ACT Skills Commission.

The Property Council represents the property investment sector of Canberra and is an important contributor and stakeholder in the economic viability and future of Canberra. Our broad membership base includes commercial property owners, managers and advisers, architects, planners, engineers, surveyors, valuers, energy and telecommunications suppliers and financial institutions.

Throughout its history, the Property Council both nationally and within the ACT has been a strong advocate for the interests of the property sector and the contribution the sector makes to the growth of the nation.

The Property Council has always taken a constructive and comprehensive approach to working with Government on ideas and opportunities to improve Canberra and its future. The Property Council looks forward to continuing this approach with the Stanhope Government.

3. Seeing the skills shortage for what it is

The Property Council shares the view that Canberra is not simply experiencing a skills shortage but rather that the shortage of skilled employees is one manifestation of a broader shortage of population.

Indeed, referring simply to a skills shortage implies there is perhaps untapped capacity which would show up as a low participation rate. As the report correctly identifies, Canberra has had record low unemployment but more importantly has one of the highest labour force participation rates in the country at nearly 73%.

Combine those statistics with Canberra's very small population growth over the last 15 years and the fact that almost every category of employment is experiencing shortages, the picture of what Canberra is currently experiencing becomes clearer.

While the difference between describing what is going on as a skills shortage or a population shortage may seem semantic, it is important to correctly identify the problem because the proposed solutions may be quite different.

For example, if Canberra had a large number of unskilled people then the solutions would involve incentives for training and perhaps the provision of funding for more places at our educational and training institutions. However, if the problem is a fundamental lack of people, skilled or otherwise, then incentives for training and further funding for places at the Australian National University, University of Canberra or the Canberra Institute of Technology will be of limited value.

A holistic response is necessary. The Property Council believes however that it is important for the Skills Commission to ensure an appropriate emphasis is given to each component of such a response. In other words, more emphasis should be given to the issue of population and ways to increase our growth rate than necessarily the issue of education and training which are generally regarded already as of a high standard.

Indeed, Canberra has the highest proportion of tertiary qualified people in Australia and is home to the nation's top rated university. Canberra's quality primary and secondary education system, combined with the Canberra Institute of Technology and other tertiary institutions provide a concentration of high standard educational facilities.

Canberra's education system is without doubt one of the factors which makes the city appealing to potential migrants and this should be a major factor in the Live in Canberra campaign and other similar efforts. Our tertiary institutions play a key and more direct role in drawing young people to the city. The challenge here as far as our tertiary institutions are concerned, is retention.

4. Focus on population

The Property Council is encouraged to see the report identify population as a significant contributor to the skills shortage issue and more importantly, highlight the threat low population growth represents for the ACT economy into the future.

The report further reinforces the need for the ACT Government to commit to a realistic, sustainable population policy that will allow for the future growth of the ACT economy. The Property Council's *Initiatives for Canberra: Securing Canberra's Future* report, published in May 2006, dealt with the dangers Canberra's low population growth holds for the city.

The consequences of low or negative population growth are dire.

The ACT economy and the ACT Budget are predicated on growth. The significantly increased revenues currently flowing into the ACT coffers are all growth related and would very quickly dry up if economic activity, and consequently growth, slows or reverses.

A body of work has already been developed setting out population targets and strategies for the ACT, such as the Economic White Paper and the Spatial Plan. The White Paper had a population *estimate* of 390,000 for 2026 while the Spatial Plan contained a figure of 500,000 which represents a solid growth rate and would effectively provide the necessary capacity for the economy to continue to grow.

The current efforts to attract people to the ACT such as the Live in Canberra and Skilled and Business Migration program are certainly helpful but need to be enhanced and integrated into a broader policy effort.

An ACT population policy, informed by the Economic White Paper, Spatial Plan and other relevant information, would provide the framework within which programs such as the Live in Canberra would operate.

This would be a much more effective and coordinated approach than what is currently being undertaken which is isolated, sporadic and because of this, largely ineffective. Any genuine efforts at developing and implementing a population policy would need to involve the Government as a whole which is why a coordinated approach is required.

A special unit within the Chief Minister's Department should be created to develop and oversee the implementation of the population policy. This unit would report directly to the Chief Minister through his Chief Executive and would be responsible for coordinating the various arms of Government required to provide input into the creation and implementation of the policy.

The Skills Commission would fall under the responsibility of this new unit and have an ongoing role in advising the Government.

5. Barriers to attraction and retention

Canberra is an expensive place to live.

The ACT regularly ranks in the top two or three most expensive cities in the country in which to buy a home. This is compounded by very high rental prices combined with extremely low vacancy rates. Affordability has been a significant issue in Canberra for some time but in more recent times, availability of housing has also emerged as a real problem.

This makes for a fairly bleak picture and clearly hinders any efforts that have been and will be made to attract people to the ACT.

However, action can be taken that will have a significant and immediate effect on housing affordability in the short term and availability in the short to medium term, particularly with respect to improving Canberra's population growth levels.

While the nation as a whole is experiencing capacity issues, the new competition between states is no longer about attracting business, but rather attracting and retaining a skilled workforce. The most successful cities will be those that can make the necessary policy decisions that will improve their marketability.

Canberra needs to take these steps as a matter of urgency and housing affordability and supply is by far the biggest obstacle to the cities future economic growth.

The ACT Government must immediately examine its stamp duty regime through the prism of Canberra's relative competitiveness as a place to live and work and not just as an issue of short term revenue loss.

The report's suggestion that the Government pursue targeted stamp duty deferrals or concessions is well meaning but would create a two-tier stamp duty regime and be open to abuse. Therefore the ACT Government should address stamp duty rates for all residents, not just those who choose to migrate to the Territory.

Extending stamp duty reductions to all residents also encourages those who currently live and work here to remain and continue to add to the labour force in Canberra.

The underlying principle here is that any effort to make Canberra attractive to potential immigrants should not be done at the relative expense of those already living here which could negatively impact on retention rates.

Stamp duty reductions should be part of a wider package of measures that increases the affordability and supply of housing in the Territory. Land release should also be examined as well as the full suite of property taxes and charges that all impact on housing affordability and availability.

6. A combined effort

Making Canberra more attractive for people to live and work is not just the job of the ACT Government. Business and the Commonwealth clearly have a role and there can be no doubt that the interests of each most definitely intersect when it comes to needing sufficient numbers of qualified staff.

The Commonwealth is experiencing the effects of the skills shortage in the ACT with many departments and agencies failing to meet recruitment targets which have been considerably higher than average in recent years. Business is also struggling to find staff. The Commission's report in fact notes that the ACT has the highest number of job advertisements proportionate to its workforce of any State and Territory.

Given the need for business, the ACT and Commonwealth Governments to work together, coordination will be required so that the combined effort is effective and complementary. This is a role that could be undertaken by the proposed new unit within the Chief Minister's Department, under the auspices of the Skills Commission. Without such coordination, efforts to address the skills shortage will continue to be fractured and counterproductive.

Greater integration of Canberra business in the Live In Canberra campaign is a necessity so that any packages that private sector employers may be able to put together can be marketed through this campaign. Again, this will all have limited effect without significant improvements to the affordability and availability of housing.

The Commonwealth should also be encouraged to play a much greater role in the combined effort in order to secure a sufficient number of people to meet their recruitment targets for Canberra based government departments. One of the biggest threats to Canberra's continued growth is any devolution of Commonwealth agencies away from Canberra to regional centres with greater excess capacity in their labour force. While the highly educated nature of Canberra's workforce and the need for the Commonwealth to centralise mitigates against this, it is certainly not an impossibility that the Commonwealth Government may choose to site agencies elsewhere.

In any case, it is vital that a coordinated and strategic approach is taken on the part of business, the ACT and Commonwealth Governments to address the population and skills shortage as it is clearly in everyone's interests to do so. It is essential that the ACT Government take the lead in developing and managing this combined effort.

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