

SUBMISSION

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To: The Productivity Commission

Submission on: Review of Housing Affordability

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SUBMISSION TO THE PRODUCTIVITY COMMISSION ON THE REVIEW OF HOUSING AFFORDABILITY

SUMMARY OF RECOMMENDATIONS

1) General comments

Federated Farmers welcomes the opportunity to submit on the Productivity Commission's draft report on housing affordability. In general the report recognises that, given the current significant direct and indirect spending aimed at promoting greater housing affordability, better outcomes at less cost should be a focus.

2) The role of taxation

Federated Farmers concurs with the Commission's findings in regards to the tax treatment of land in New Zealand.

In particular we congratulate the Commission for acknowledging the significant impact of local government rates on landowners, and the need to recognise this increasing cost when considering the tax treatment of land.

3) Urban planning and housing affordability

In considering the need for further land for housing, the draft report does not sufficiently discuss the negative impact that potential loss of primary production land will have on the economy.

It is important that freeing up land for housing should have regard to the negative aspects of development of rural productive land in particular.

In general, Territorial Authorities appear to be adapting to the need to increase the supply of housing through planned release of land in the urban and peri-urban area, or by planning to increase the efficient use of space in the current urban area.

Territorial Authorities have an important and on-going role to play in allowing a regulatory framework that allows for individual land use decisions on a case by case basis, balancing the particular factors of the local area.

Additional guidance to councils is a preferred alternative to rationalisation of local government's planning functions.

Legislative change in order to encourage greater development for housing should be considered carefully, given the need to balance other land uses.

4) Charging for infrastructure

Development and financial contributions can be an efficient and equitable alternative to rates funding of capital expenditure caused by new development.

Federated Farmers supports the Commission's recommendations in regards to development contributions, particularly where the Commission seeks improvements to the calculation and application of charges.

5) Building regulations and affordability

Federated Farmers agrees with the Commission's recommendation that the Department of Building and Housing should provide more specific guidance for Building Consent Authorities about what is required for an alternative solution to comply with the Building Code.

6) The performance of the building industry

Federated Farmers agrees that the primary aim of the Commission should be to ascertain and remove any potential barriers to innovation in the building industry.

The Productivity partnership should investigate the approval process for building products and systems in order to assess the feasibility and effectiveness of these, as potential barriers for competition.

7) Where housing affordability bites

The approximately \$3 billion per year spend of government support for housing assistance is significant. The challenge is to do better with this amount.

Increasing the supply of lower cost housing and removing unnecessary regulatory costs are the low hanging fruit.

1.01 GENERAL COMMENTS

- 1.02 Federated Farmers agrees that the stability of the home environment is important for social cohesion and family stability, and that affordability of housing is a key factor in this stability. We acknowledge concerns at the impact that increases in real house prices in New Zealand over the last decade and the subsequent declines in housing affordability and home ownership rates.
- 1.03 However, there are risks associated with developing (let alone implementing) policy solutions in areas where individual preference plays a significant part, and where the market is inherently cyclical in nature. Housing fulfils both of these criteria and in the latter instance there is the risk of extrapolating the issues that arise when housing prices are near cyclical peaks, and developing policy solutions that overshoot the actual long term need, with the resulting inefficiencies.
- 1.04 The inflationary effect of increased borrowing capacity as a result of increased access to credit, low interest rates and innovations in financial instruments are acknowledged (for instance, on page 15 of the draft) as contributing factors to house price inflation over the past decade, and these effects will take some time to unwind.
- 1.05 As identified in the report, the range of factors that have an impact on housing affordability are numerous, and any solutions to concerns around housing affordability need to consider all relevant factors. This includes areas that are outside the scope of the review, particularly the wider welfare, taxation and redistribution systems in New Zealand.
- 1.06 The draft report estimates the annual cost of government support for housing at something approximating \$3 billion. While this number includes the opportunity cost on Housing New Zealand Corporation (HNZC)'s housing portfolio, it also only includes those areas where expenditure is directly housing related. In addition to the cost of housing specific assistance, unemployment benefits, Working for Families, central and local government rates rebates or remissions and housing insulation schemes (both at the central and local government level) to name a few all seek to reduce affordability concerns, of which housing form a significant part.
- 1.07 Current spending levels are more than enough.¹ If despite this support there remain on-going concerns at the lack of affordable housing, it is important that any steps seek to make better use of this spending, rather than increase the cost of addressing affordability concerns. As a general comment, the draft report's recommendations appear to recognise this imperative by focusing on the supply side of housing, in particular the costs that contribute to new housing development.
- 1.08 State agencies have a wide range of tools available to address housing affordability concerns. In considering the actions to take (where action is deemed necessary) Federated Farmers seeks that the optimal tools are utilised, and the implications of using these tools, both negative and positive, are recognised as much as possible.
- 1.09 Federated Farmers recognises the importance and efficacy of focussing on the supply of housing as a factor. In general constraints on the supply of land do have

¹ As a measure of the significance of the level current support for housing, total core crown revenue for 2010/11 was a \$57.6 billion, of this total tax revenue was \$51.6 billion. Government support for housing, at \$3 billion, represents just under 6% of this total tax revenue.

a significant impact on house prices. However, the Commission's draft report does not recognise that in many instances the current constraints on the supply of housing are the reflection of a need to balance competing land uses. In particular, the draft fails to recognise the realities that territorial authorities face in balancing urban expansion against use of land for production, and the tensions that arise if housing development is not strategically planned for. Without strategic direction and intelligent planning, further housing development in the rural productive area will undoubtedly reduce New Zealand's long term economic productivity.

- 1.010 Federated Farmers supports the intent to refine infrastructure charges, particularly development contributions. We agree with the Commission that linking the benefit received and the payment made for some types of additional infrastructure helps efficient resource allocation and ensures that the level of investment in housing reflects its opportunity cost and that efficient locational choices are made. It is an important and often overlooked point that if these linkages between benefit and those who pay are not made, inefficient outcomes result. Where there is no such connection both the cost of capital investment in infrastructure to meet new development and the resulting inefficiencies are otherwise paid for by the ratepayer base as a whole. Even with this in mind there is a need to provide greater clarity and confidence to increase the efficiency of infrastructure development contributions for landowners, developers and local government alike.
- 1.011 Generally, the draft report does a good job at encompassing the broad and various factors that influence housing affordability in New Zealand. However, the implications (especially potential negative implications) of any changes resulting from the Commission's recommendations will be similarly broad. Federated Farmers addresses some of these potential negative concerns in this submission. In addition we welcome the opportunity to be involved in any steps to implement the Commission's recommendations, particularly in regards to urban planning and the potential impact on agricultural productivity.

Recommendations:

Federated Farmers welcomes the opportunity to submit on the Productivity Commission's draft report on housing affordability.

In general the report recognises that, given the current significant direct and indirect spending aimed at promoting greater housing affordability, better outcomes at less cost should be a focus.

2.01 THE ROLE OF TAXATION

- 2.02 Federated Farmers welcomes the Commission's findings in regards to the tax treatment of land in New Zealand, particularly the recognition that housing in New Zealand is less tax-advantaged than is often suggested, and that taxation issues were not a principal driver of the recent surge in house prices.
- 2.03 We congratulate the Commission for acknowledging the role of local government rates as an existing levy against property in New Zealand. This acknowledgement was missing from the Tax Working Group's report "A Tax System for New Zealand's Future" (page 50), which only noted the benefits of land as a tax base without noting the current imposition of local government funding on large landowners, or the inequities that would result from levying further charges or taxes against land in addition to rates.

- 2.04 The Federation concurs with the Commission's findings that there is no need for additional taxation of land in order to promote more affordable housing, and that any changes to taxation should be approached in a principled way across the economy, rather than in an attempt to promote greater housing affordability.

Recommendations:

Federated Farmers concurs with the Commission's findings in regards to the tax treatment of land in New Zealand.

In particular we congratulate the Commission for acknowledging the significant impact of local government rates on landowners, and the need to recognise this increasing cost when considering the tax treatment of land.

3.01 URBAN PLANNING AND HOUSING AFFORDABILITY

Competing land uses

- 3.02 New Zealand's farmers use land to produce food and materials for the consumption of New Zealanders and the rest of the world. The importance of this production is generally recognised, as are the benefits of revenues from this production for all New Zealanders. Primary production and the downstream economic effects of this production form the basis of much of the country's export income, as well as providing relatively cheap and high quality necessities.
- 3.03 These benefits are underpinned by the productivity of primary producers, but also by the availability of productive land. In general, the draft report does not recognise that increasing the availability of productive land for housing can have negative implications. At a national level, these negative implications include the potential loss of productive capacity and productive soils. On an individual level, urban housing development in the rural area can negatively impact on individual farmers through reverse sensitivity issues. These issues arise from tensions between use of land for primary production on one hand and the particular expectations of urban housing on the other.
- 3.04 Housing development in rural areas has, in our experience, had the effect of increasing farm values, as the farm land becomes priced according to its development potential for housing rather than the underlying productive capacity of the land area. As the farmer's income results from the productive capacity of the land, the result is increasing pressure to subdivide or sell the productive land, by both increasing the opportunity cost of production as a land use choice for that land, and to a lesser extent the costs of rates, and the cost of managing urban expectations in the rural area. On an individual level, the ability to change land use to meet economic drivers is and should be the farmer's right, but the aggregate outcome of these many individual decisions can result in less land to produce the food we eat and the clothes we wear.
- 3.05 Currently responsibility for management of these tensions sits with the relevant Territorial Authority (TA). As a rule, the Federation's view is that TAs are slowly adapting to the need to increase the supply of housing. This is being achieved through planned release of land in the urban and peri-urban area, or planning to increase the efficient use of space in the current urban area.

The role of Territorial Authorities

- 3.06 The Commission recommends a number of steps for Territorial Authorities (TAs). These are that TAs:
- take a less constrained approach to the identification, consenting, release, and development of land for housing in the inner city, suburbs, and city edge
 - adopt a strategy that allows for both intensification within existing urban boundaries and orderly expansion beyond them
 - develop strategies that promote adequate competition between developers for the sale of construction-ready sections.
- 3.07 As a general comment, TAs are recognising the need to increase the availability of smaller lot sizes in amendments to their District Plans. Many councils have, through District Planning, sought to provide minimum areas for subdivision in the rural environment, often with minimum areas of 10 or even 20 hectares. Not only does this take more land out of productive use than it otherwise would, but the area of land this leaves for residential purposes is generally too large for the requirements or preferences of those who purchase them.
- 3.08 Reflecting these consequences, many councils are currently reducing or relaxing rules around minimum allotment sizes to enable higher density housing, and actively encouraging cost effective, in-fill development of the existing urban area. These steps will increase the supply of lower value housing, the end of the housing market the Commission's draft report has identified as under the greatest pressure.
- 3.09 As a priority, and as a preference to the wholesale release of rural productive land, the creation of extra housing in the urban area is one that requires further consideration by the Commission. Compared to greenfield development in the rural area, further development of an existing urban area creates additional housing supply without requiring loss of productive land, or the same level of additional capital infrastructure.
- 3.010 Further development of the existing urban area also solves the primary concern of the Commission as outlined in the draft report (page 5), where the Commission identified that new supply of residential development "has tended to come in the form of large and relatively expensive houses or, to a lesser extent, apartments that are targeted at the top end of the market (New housing investment, value distribution)". It may be that requiring the release of additional land may not solve the immediate supply issue, which is a lack of housing supply for the lower end of the housing market, for first time buyers or those on lower incomes.
- 3.011 The Commission recommends that in the longer term, a more fundamental review of the related legislative frameworks may also be required, with a view to considering the long-term rationalisation of the local planning and policy environment.
- 3.012 There are two aspects to the recommendation; that the legislative frameworks within which planning decisions are made be reviewed, and that the local planning and policy environment be rationalised.
- 3.013 In regards to the relevant legislative frameworks, Federated Farmers encourages any legislative review that is formed with the intent of achieving better outcomes with less effort. However, there needs to be due consideration given to the potential benefits of legislative reform solely to increase the availability of land for housing. In regards the Resource Management Act, as an example, this reform

would essentially require an extensive overhaul as the need to balance factors like productive land are throughout the document.

- 3.014 The idea of, for example, a National Policy Statement that provides some additional guidance to TAs, but allows for regulation to be developed that recognises the particular needs and challenges of each territory, may be worth consideration as an alternative to legislative reform aimed solely at addressing housing affordability concerns. This is not to say, however, that reform of the relevant legislation should not be undertaken for a raft of reasons, of which housing affordability is one.
- 3.015 Federated Farmers treats the recommendation that rationalisation of the local planning and policy environment should be considered with a degree of caution. As discussed in this submission, there is a need for a balanced approach to planning in the rural area, and it is difficult to envision how a “one size fits all” or centralised approach to balancing the particular needs and aspects of a local community could be effectively and efficiently catered for at a national level.
- 3.016 Contrary to the report’s recommendations, what is needed is a regulatory framework that enables private land use decisions and allows for reasonable development and the ability for the landowner to adapt to market pressures while at the same time allowing for strategic planning input into development. As discussed, this is particularly important given the negative impacts that result from poorly planned development, such as the potential for the loss of productive land, the tensions that occasionally result from urban development in a primarily rural area, and the cost impact of infrastructure provision to new development.
- 3.017 It is acknowledged that the impacts of poor planning at a local level can result in significant issues at a national level. However, it is reasonable to expect that rationalising planning functions may result in reduced regulatory flexibility with significant consequences. Federated Farmers is of the view that the responsibility for balancing these often competing factors should be dealt with at the TA level, perhaps with further direction provided from central government.

Immediate release of land

- 3.018 The Commission’s draft report recommends “an immediate release of land for residential development”, noting that this will ease supply constraints and reduce the pressure on prices. We note the Commission recommends “collaborative models” for the process of “identifying, assembling and releasing large scale tracts of land have merit”, and that the immediate focus of this should be on Auckland where demand for housing is tightest.
- 3.019 Federated Farmers recommends that this should be approached cautiously. The new Auckland unitary authority is working to develop collaborative approaches to managing rural issues through the Rural Advisory Panel (RAP) and that this engagement provides a reasonable basis to manage competing land uses and related issues for housing development.

Recommendations:

In considering the need for further land for housing, the draft report does not sufficiently discuss the negative impact that potential loss of primary production land will have on the economy.

It is important that freeing up land for housing should have regard to the negative aspects of development of rural productive land in particular.

In general, Territorial Authorities appear to be adapting to the need to increase the supply of housing through planned release of land in the urban and peri-urban area, or by planning to increase the efficient use of space in the current urban area.

Territorial Authorities have an important and on-going role to play in allowing a regulatory framework that allows for individual land use decisions on a case by case basis, balancing the particular factors of the local area.

Additional guidance to councils is a preferred alternative to rationalisation of local government's planning functions.

Legislative change in order to encourage greater development for housing should be considered carefully, given the need to balance other land uses.

4.01 CHARGING FOR INFRASTRUCTURE

Development and Financial Contributions as an alternative to rates

4.02 Currently, infrastructure costs are recovered through Development Contributions (under the Local Government Act), Financial Contributions (under the Resource Management Act). In principle, Federated Farmers supports the use of charges to recover the cost of capital investment in infrastructure for new housing development, as an alternative to funding these costs through property value based rates.

4.03 Farmers are often subject to contributions for on-farm development, or upon subdivision, and therefore often incur a charge at this time. However, farmers also contribute significant amounts of money in rates, and identified in the draft report charges for infrastructure development contributions offer a principles-based funding alternative to the generally arbitrary cost allocation of local government rates, which are effectively a tax on a farmer's greatest productive asset (farm land) to fund local government expenditure.

4.04 As the Commission notes, linking the benefit received and the payment made for some types of additional infrastructure helps efficient resource allocation and ensures that the level of investment in housing reflects its opportunity cost and that efficient locational choices are made.

Democratic function

4.05 However, some development contributions in particular seek to recover costs for activities where there is only a tenuous link between the development in question and the need for capital expenditure, and/or seek to recover costs that exceed the additional demand caused by that development. This serves to undermine the acceptance of development contributions by developers, and ultimately the effectiveness of the development contributions charge.

4.06 In addition, rates have a greater function in regards to democratic engagement than development or financial contributions do. By definition all ratepayers pay rates, and do so on an annual basis, enabling ratepayers the opportunity to assess and influence the range of activities a council will undertake, the cost of these

activities, and how these activities will be funded. This is particularly important given the autonomy afforded to local government under the Local Government Act, and the significant increases in local government expenditure since 1995.²

- 4.07 In contrast to rates, infrastructure charges are often viewed by those undertaking development as tantamount to a charge for building, payable as a result of development, and only by those undertaking the development; meanwhile the demand for many of council's activities are driven by the ratepayer base as a whole. The implication is that the community drives expenditure that only those who undertake development pay a large proportion of. These concerns were addressed in depth in the Local Government Forum's 2010 paper "Taxing Growth and Development: A Critical Review of the Role of Development and Financial Contributions".
- 4.08 In the case of private goods, where the infrastructure is rivalrous and excludable, councils do have the option of loan funding initial capital expenditure and recovering these capital costs, along with operating costs, through targeted rates based on use (for instance, water users).
- Greater clarity and confidence sought
- 4.09 It has been the Federation's experience that charges for infrastructure are subject to dispute between developers and councils. This is counter-productive, and anecdotally has put some councils off seriously considering development contributions in particular as a means of recovering reasonable and applicable capital costs for development. Developers are also quite right to be cautious of charges where there is insufficient justification for the amounts sought, and a lack of transparency regarding how the level of charge is settled at.
- 4.010 Federated Farmers therefore supports the Commission's intent to help improve the calculation and application of infrastructure charges so that they are more efficient, equitable, transparent, and to ensure infrastructure charges do not unduly penalise new development. The recommendation to update the Best Practice Guidelines to Development Contributions after consultation with both councils and the industry is both welcome and timely, and would provide much needed confidence.
- 4.011 It would be useful for future work around infrastructure charges to cover the particular local government activities that it is considered feasible and appropriate to apply a development contributions charge to. This is partially addressed in the Commission's recommendations F8.2, where offsite water, wastewater, stormwater, and roads are identified as the categories best suited for funding through development contributions. Federated Farmers agrees that there are generally stronger direct causal links between development and these activities than there are for some of the other activities a charge may be applied to.
- 4.012 Contrastingly there are some local government activities where the causal link between a development and the need for capital expenditure are tenuous, particularly community infrastructure, parks and community services where activities are non-excludable and generally non-rivalrous.
- 4.013 Federated Farmers would also welcome a principled discussion into the roles of targeted rates and user charges as optimal methods of cost recovery for local government, particularly as an alternative to rates revenue, and agrees that

² Statistics New Zealand's Local Government data series shows local government expenditure increased from \$2,929 million in 1995 to \$6,556 million in 2009.

enhanced training and better compliance reporting, as well as some external auditing, would provide confidence to all parties.

Recommendations:

Development and financial contributions can be an efficient and equitable alternative to rates funding of capital expenditure caused by new development.

Federated Farmers supports the Commission’s recommendations in regards to development contributions, particularly where the Commission seeks improvements to the calculation and application of charges.

5.01 BUILDING REGULATIONS AND AFFORDABILITY

5.02 Federated Farmers broadly agrees with the Commission’s findings in regards to the cost effectiveness of current regulation. In particular that;

- it is extremely important to ensure that standards do not require more expenditure than is justified by the benefits,
- costs arising from slow and uncertain administration of building regulations and inspection services can be substantial and deserve greater attention from building regulatory authorities,
- there is a need for central and local regulators to devise new fit-for-purpose processes to reduce compliance costs and facilitate innovation, while improving the performance of inspection services with respect to cost, timeliness and capacity to deal with building innovations.

5.03 There is clearly a role for reasonable regulation in the building industry. Given the high level of information asymmetry and the significant costs involved in remediating poor building practices, consumers need some independent and objective assessment of the quality of building practitioners. While these concerns are partially covered through “brand risk” as the Commission notes, this is likely insufficient given the low barriers to entry and the number of smaller operators in the building market who do not have a significant brand at stake.

5.04 As the Commission notes, it is also important that the building industry be allowed to operate in a manner that encourages innovation and flexibility to meet consumer demands while at the same time providing good quality housing. There is a need to develop an effects based approach to the building industry that does not prescribe construction solutions while at the same time providing confidence to the consumer that the building work will be fit for purpose.

Recommendation:

Federated Farmers agrees with the Commission’s recommendation that the Department of Building and Housing should provide more specific guidance for Building Consent Authorities about what is required for an alternative solution to comply with the Building Code.

6.01 THE PERFORMANCE OF THE BUILDING INDUSTRY

- 6.02 The Commission's report notes the lack of improvement in the productivity of the building industry, noting that productivity performance is "flat lining", and that this is reflected in growing building costs, and evidence of poor building quality. The Commission also notes that the small scale and fragmented nature of the New Zealand building industry contributes to these relatively high costs, and that the industry is subject to significant demand cycles. These are highlighted as factors that make investment in firm expansion and the recruitment and retention of skilled staff difficult.
- 6.03 The report identifies material supply cost factors as a concern, noting that both New Zealand's residential building costs are higher than those in Australia. The draft report suggest that the small scale of major material manufacturers and the small size of the New Zealand market are influences in these discrepancies.
- 6.04 As discussed in regards to building regulations, a regulatory environment that enables innovation in the building sector will better incentivise building firms to differentiate their work from the market by developing novel and cheaper alternatives. The priority should be to ensure that the right industry incentives are in place to enable innovation and improvements in productivity, and as importantly that there are no regulatory barriers or incentives to stifle innovation and allow individual building firms to differentiate themselves from others in the market. If this is allowed to happen, the value of branding will provide incentives for industry consolidation.
- 6.05 There appears to be disagreement over the extent to which the building materials market can be considered competitive, however the draft report notes that the building materials market is 'contestable' in the sense that it is open to new competitors to establish themselves, and open for imported products and building systems. The report notes that the process for gaining approval (from building consent authorities) for products or systems through an 'alternative solution' can be time-consuming and uncertain. The feasibility and effectiveness of these barriers may require further investigation
- 6.06 The Commission notes that new houses tend to be bespoke one-off designs, and that greater uptake of standardised designs and building techniques. Given that standardised housing is cheaper relative to one-off designs, demand for particular housing types or unique housing is a value decision for the buyer and there is no justification for intervention in this area of the market.

Recommendations:

The primary aim of the Commission should be to ascertain and remove any potential barriers to innovation in the building industry.

The Productivity partnership should investigate the approval process for building products and systems in order to assess the feasibility and effectiveness of these, as potential barriers for competition.

7.01 WHERE HOUSING AFFORDABILITY BITES (HOUSING ASSISTANCE)

- 7.02 As mentioned in the general comments of this submission, the approximately \$3 billion of government support for housing assistance (including the opportunity cost on HNZA's housing portfolio, but excluding expenditure that is not directly housing

related) is a significant amount. The challenge is to do better with this spending. Federated Farmers welcomes the Commission's focus on housing supply factors as a means of improving the efficient use of this money.

- 7.03 This point is underlined by submissions to the report highlighting the unintended consequences of the Accommodation Supplement (AS). Submitters noted that the AS has in effect increased the returns for rental owners, as well as helping those on lower incomes to afford to rent – the transfer has to some extent resulted in higher rents, in turn underpinning the profit of owning for the sake of renting and theoretically underpinning house prices in a small segment of the market.
- 7.04 The rental market, if not the supply of housing, appears relatively responsive to demand. The report notes that the private rental market “expanded rapidly to provide housing for an increasing number of households that were unable to keep pace with increasing house prices”.
- 7.05 The report also notes that during the recent housing boom, rents only increased at a modest amount, indicating the cost of renting is constrained, at least to an extent, by demand side affordability. In the medium to long term prices for rental properties are set by the expected return on investment. Investors expect a reasonable economic return on their rental and face alternative investment options. This demand side affordability constraint may in turn constrain house prices, in addition to the demand constraints that first time home buyers will also place on the market as a result of the same affordability issues.
- 7.06 In providing an overall assessment of the private rental market, the Commission notes that it “delivers good outcomes for a number of tenants, particularly those who require flexibility and those who seek transitional accommodation due to changing life circumstances”. The report then goes on to highlight the concern that affordability “is already an acute issue for lower-income renters, and this situation has potential to be exacerbated if rents rise back to the longer-run house price-to-rent ratio” (page 186).
- 7.07 Two broad, possible scenarios emerge in regards to the short term future of the rental market and affordability:
- 1) Rental prices grow beyond the affordability of those on lower incomes, presumably driven by increased house prices and the need for property owners to achieve a reasonable return on investment. This assumes that there is sufficient demand for private rental housing to price some out of the market.
 - 2) Property prices are constrained by the ability of renters to meet a set level of rents. This assumes there is not significantly greater demand than there is supply.
- 7.08 In both scenarios an increase in the supply of lower cost housing, and reductions in the regulatory costs associated with new housing development play important parts in addressing overall housing affordability concerns. Investment in increasing the quality of the housing stock will theoretically be a short term cost that in the long term reduces the cost of heating and reparations, etc.
- 7.09 It is also important that efforts to address housing affordability concerns reflect as much as possible relevant factors outside of the Commission's scope, primarily the wider taxation and redistribution systems, in a comprehensive and strategic manner.

Recommendations:

The approximately \$3 billion per year spend of government support for housing assistance is significant. The challenge is to do better with this amount.

Increasing the supply of lower cost housing and removing unnecessary regulatory costs are the low hanging fruit.

8.01 ABOUT THE FEDERATION

8.02 Federated Farmers of New Zealand is a voluntary, member-based organisation that represents farming and other rural businesses. Federated Farmers has a long and proud history of representing the needs and interests of New Zealand farmers.

8.03 The Federation aims to add value to its members' farming businesses. Our key strategic outcomes include the need for New Zealand to provide an economic and social environment within which:

- Our members may operate their business in a fair and flexible commercial environment;
- Our members' families and their staff have access to services essential to the needs of the rural community; and
- Our members adopt responsible management and environmental practices.