

National Housing and Homelessness Plan  
Department of Social Services  
GPO Box 9820  
Canberra, ACT 2601

Dear Sir/Madam

## City of Karratha submission – National Housing and Homelessness Plan

The City of Karratha welcomes the opportunity to provide a submission to the National Housing and Homelessness Plan pertaining to housing affordability and supply.

### Context

The City of Karratha is a port city covering 15,278 km<sup>2</sup> in the Pilbara region of Northern Western Australia, about 1,500 kilometres north of Perth.

Council's vision for the City of Karratha is to become Australia's most liveable regional city. The City recognises that housing affordability and supply is key to ensuring that the City's vision is fully realised.

World renowned for its iron ore and oil and gas development, the City of Karratha has long been recognised as the primary commercial, community and tourist focus for the Pilbara Region. Described as the "engine room of Australia", the City of Karratha's worker productivity (GRP per Capita of \$554,521) is more than six times the national (GDP per Capita of \$90,826) figure<sup>1</sup>. The Pilbara accounted for over \$195B of mineral and petroleum sales in 2022. While the City will continue to be the hub of resources and energy projects for the long term, we are embarking on an exciting new phase of economic development. Our objective is to leverage our extensive natural assets, whilst nurturing the emergence of new sustainable industries to create local jobs.

The Pilbara has an investment pipeline of over \$177B of resource projects, \$46.1B of projects are under construction/committed and \$131.5B are under consideration, these major projects will underpin the local, State, and National economies for years to come. These projects will drive demand for local services and in turn a significant increase in demand for local housing. Rents have increased significantly. A snapshot of advertised rentals in August identified a mean rent of \$1,196 per week across all dwellings in Karratha<sup>2</sup>, this is an increase of 73% since August 2022 when the mean rent was \$689 p/week

The City of Karratha faces a unique challenge to meet local housing needs as a result of the influence of the resource sector and its cyclical nature. A large proportion of workers attracted to the region during peak economic times are employed with highly paid mining or oil and gas roles. This drives up property prices and displaces service workers and small business proprietors – for whom the increased cost of rental and property prices makes Karratha unaffordable. The flow-on effect is the challenge to small business to attract and retain workers. The City's local economy continues to rely

on employer-provided housing and disproportionately high resource sector wages to attract residents to the area. This reliance again disadvantages low to middle income earners (typically those working in the service sector outside of the resource sector) and small business.

Results from the City's Annual Business Climate Survey 2022 (**Appendix 1**) identifies the Cost of Living (Housing) as amongst the most pressing challenge to growth for local business. The Annual Community Survey 2023 (**Appendix 2**) also nominated Housing and Cost of Living as the most important issue for the City to invest its efforts. The lack of affordable housing combined with a high cost of living is having an adverse effect on Karratha's 'liveability' and is a constraint to economic growth.

**The City's submission considers affordable housing, particularly housing costs, home ownership, and rental markets in regional 'Mining towns.'**

## **1. Federal Government**

### ***Reform FBT legislation to bridge the gap between FIFO and residential communities***

*"Current FBT arrangements are creating perverse incentives, whereby the FBT concessions are encouraging the use of FIFO instead of a residential workforce. Under current arrangements, employers' use of work camps is exempt from FBT, but using housing in existing towns is subject to FBT. This means FBT has encouraged employers to use FIFO rather than locating workers and their families in regional communities."*<sup>3</sup>

The City recognises that a Fly-In Fly-Out (FIFO) workforce is necessary in some circumstances, for example during short-term construction projects. It is important however that remote area assistance provided through the taxation system does not provide an unfair financial advantage for employers or employees who opt for FIFO terms (compared to local residential workers) to fill long-term operational roles.

The City advocates for a review of the current Fringe Benefits Tax legislation to better support communities significantly affected by a FIFO workforce. The Australian Mining Capitals Alliance is lobbying for amendments to Australia's taxation legislation under the '*More than Mining*' campaign. These amendments include:

- Definition of a new category of remote area within the taxation legislation named "Remote Area Mining Community", being a '*community who is affected by the volatility of mining construction and commodity price cycles and impacted by Fly-in-Fly-out workforces*'; and
- Areas designated as 'Remote Area Mining Communities' will benefit from 100% FBT exemption for rent, owner-occupier housing purchase cost and mortgage interest when an employer pays these expenses out of the employee's pre-tax income.

This policy would give the individual additional disposable income to cover the increased cost of living when residing in remote locations and provide families in regional and remote areas with opportunities to secure/access affordable housing whilst reinvesting in their local communities.

In turn, this will support:

- Growth and renewal of housing stock;
- Equitable home ownership opportunities for non-mining sector employees;
- Slowing population churn, as residents choose to live in these communities longer
- Stabilising demand for housing, normalising house prices
- More engaged, invested, and inclusive resident communities;

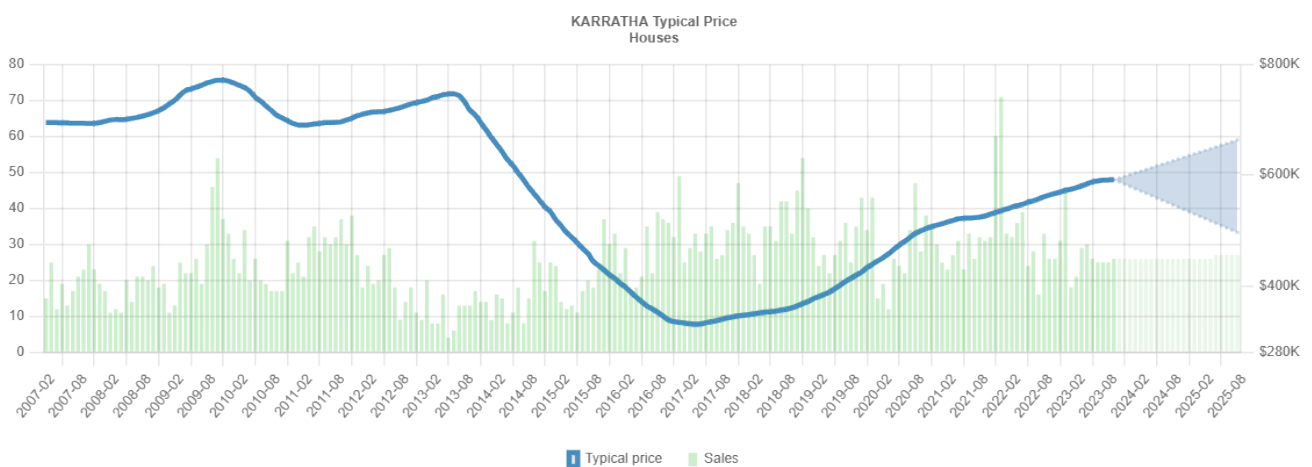
- Stable labour pools, a long-term residential workforce enabling sustainability of small businesses;
- Improved quality and accessibility of healthcare, education, childcare and social services; and
- Reduced reliance on Fly-in-Fly-out workforces, and the proven social, family, and mental health problems of this model of staffing.

*More Than Mining* promises greater security, prosperity, and longevity to residents, transforming these cities and towns into desirable and thriving communities.

**Regulatory impact on availability of finance**

During the resource upswing circa 2009, investors rushed to the market attracted by rental yields in excess of 12% (See: Figure 2). An analysis of 2021 housing tenure shows 60.7% of occupied private dwellings in Karratha were rented, in comparison to 27.3% in Western Australia and 30.6% for Australia.<sup>4</sup>

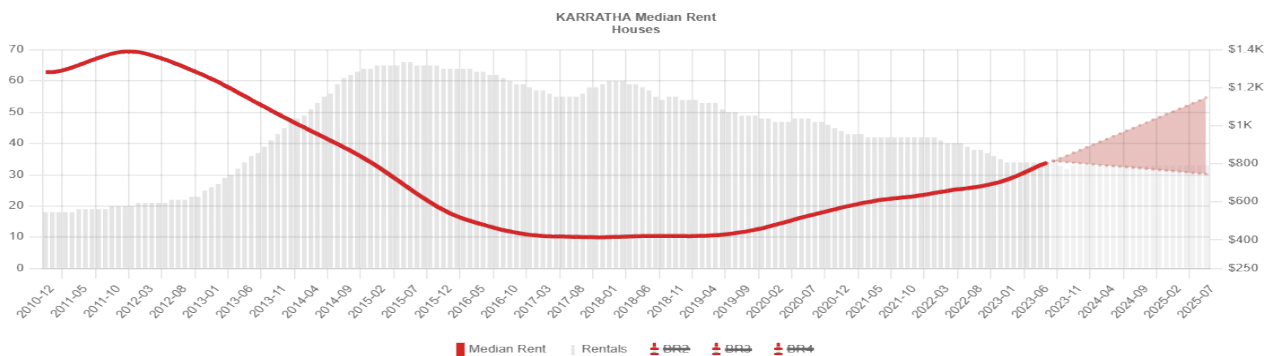
**Figure 2**



Source: Higher than Average Growth, Karratha Typical Price (Houses) 2007 to 2023, Retrieved online on 3 October 2023 at [www.htag.com.au](http://www.htag.com.au)

When the resource boom ended in 2013, rental vacancies soared, with many investors left unable to service mortgages once rents had normalised – contributing to the downturn whilst awaiting the return of service workers who had been displaced from the City when rents and property values became unaffordable (See: Figure 3).

**Figure 3**



Source: Higher than Average Growth, Karratha Typical Rent (Houses) 2007 to 2023, Retrieved online on 3 October 2023 at [www.htag.com.au](http://www.htag.com.au)

The volatility in market conditions resulted in many residential lenders initiating recovery actions and mortgage foreclosures in the post-boom cycle. The financial losses, recovery costs, and negative publicity (especially with a pending Banking Royal Commission) led to a number of second tier lenders refusing to lend in 'Mining Location Postcodes'. Those lenders that remained in the market implemented numerous risk mitigation measures. Some examples included:

- Reduced maximum Loan to Valuation Ratios (generally 70%);
- Significantly higher scrutiny of employment/income for loan applicants; and
- Income assessments excluding any rental income from investment properties in mining locations.

Under pressure from APRA to improve responsible lending practices lenders were reticent to approve any consumer loan application outside of 'standard' policy. A 'one size fits all' approach resulted in many regular allowances afforded to those living in remote areas being excluded (or heavily sensitised) in servicing calculations.

Restricted access to funding prohibits access to the market for many. Numerous borrowers have become 'mortgage prisoners', unable to sell existing homes and purchase new property for similar value as the 'lending goal posts' have moved. Mobility of the workforce is impacted under such circumstances. Making matters worse, it is a funding requirement for borrowers to hold a building insurance policy. The Northern Australia Insurance Inquiry identified that in 2018-19 average home and contents insurance premiums were \$5,159 in Dampier, \$5,221 in Point Samson, Cossack and Wickham, and \$3,600 for north Western Australia in general. These premiums are significantly higher than the average home and contents insurance premium in Southern Australia, \$1,400 per household in 2018-19<sup>5</sup>. The introduction of the Government's reinsurance pool on 1 July 2022 has had little tangible impact on household insurance premiums to date.

A shift in housing tenure, away from investment and towards owner occupation, will reduce the impact of the 'boom/bust' resource cycle on residential property prices. A stable residential population not only maintains baseline demand for services, sustaining small business, but also moderates the upswing and downswing in property values. A balanced mix of owner-occupied dwellings vs investment properties will assist to mitigate losses to lenders, with fewer borrowers exposed to mortgage stress because of loss of rent, or declining rental returns. A stable market allows lenders to participate without variance to 'normal' lending criteria, which in turn reduces uncertainty for borrowers and provides positive sentiment for those looking to buy and live in the community in which they work.

The City recommends the Government requests APRA to:

- Consider removing the need for sensitised repayments in servicing calculations for refinances, or where mortgage 'portability' is applied;
- Consider providing clarification in guidance to lenders with regards to definitions for 'regular' assessable income to provide comfort in lenders utilising regular shift/site/location allowances in assessment of debt servicing.

The City recommends addressing the cost of general insurance through the following measures:

- The governments of Western Australia, the Northern Territory and Queensland should abolish stamp duties on home, contents and strata insurance products. State and territory revenue needs could be more equitably met through other means. It has been widely acknowledged that stamp duties on insurance products are an inefficient form of taxation. This recommendation is in line with recommendations from previous inquiries into insurance and taxation issues; or
- Re-base stamp duty; use stamp duty revenue for affordability and mitigation. If stamp duties on insurance are maintained, the governments of Western Australia, the Northern Territory and Queensland should reduce the tax burden on consumers in higher risk areas by levying

stamp duties for home, contents and strata insurance with reference to the sum insured value, rather than the premium level. Re-basing stamp duty to be levied on sums insured will make it fairer to consumers living in higher risk areas.

- Legislate for insurers to underwrite a minimum level of risk in Northern Australia, thus increasing competition and reducing premiums for consumers.

## **2. State Government**

### ***Replace Transfer Stamp Duty with Annual Land Tax***

Mobility of the workforce is vital to maximising economic productivity and reducing the environmental impact of travel. Currently Transfer Stamp Duty relating to property varies between states and territories. Generally, 5% of the property's dutiable value (purchase price) is a reasonable estimate in Western Australia of the combined costs of Stamp Duty, Conveyancing, Council rates, and borrowing costs (of which Stamp Duty makes up over 80% of the cost). Such a large upfront cost may prove a barrier to entry for some who cannot save sufficient funds for a deposit.

Many States recognise this barrier to entry and provide some concessions for qualified First Home Owners. However, the sizeable impost of Stamp Duty is a deterrent for those looking to sell and purchase a new home closer to employment opportunities – whether that be a move across town with a shorter daily commute, or a re-location to the regions.

The concept of a phased replacement of Transfer Duty, with a move towards an annual land tax is supported to promote mobilisation of the workforce by reducing the barriers (costs) of home ownership in a proximate location to one's work. The concept would also present the opportunity for alignment of tax rates across the states and may be managed to ensure no loss of revenue of the States. Note, the replacement was also recommended in *Australia's Future Tax System* (2009, p.74).

### ***State governments need to build and accommodate State Government Employee Housing demand***

Housing affordability, whether it be rental or home ownership, is a function of demand and supply. The City identified a key impediment to affordable rental is a product of the State Government's employee housing strategies.

Government employees in Karratha are provided housing through the Government Regional Officer's Housing (GROH) program. Circa 504 dwellings are provided to Government employees through GROH housing in Karratha, 149 are Government owned and 355 are leased from the private market. This heavy reliance on private market by the government (representing approximately 30% of demand on private rentals in Karratha) erodes supply to the market and drives an increase in price, impacting low to middle income earners.

A strategic decision to build on State owned land for the purpose of housing government sector employees would assist to increase supply and improve rental affordability in the region.

## **3. Local Government**

### ***Local Government Area Rates, Fees, and Charges***

It is the view of the City that Rates, and Fees/Charges for Development/Building Approvals do not affect supply (or demand) for property within a particular jurisdiction. These costs are effectively a fee for services rendered (such as waste disposal, maintenance of public open space, etc). The City does not propose any requirement for changes to taxes/charges at a Local Government level.

### ***Property Rates – Charitable Exemptions***

There is increased pursuit of property rating exemptions under section 6.26 of the Local Government Act 1995 by commercial (non-charitable) business activities of charitable organisations. Exemptions under the Act have extended beyond the original intent, impacting delivery of Local Government services, and increasing the rates burden to other ratepayers.

We propose property rating exemptions for sizeable not for profits be more targeted to incentivising investment in affordable housing stock (build), for charitable organisations of scale, and the delivery of homelessness services.

### **Summary Recommendations:**

#### **1. FBT legislation**

FBT legislation reform to provide a 100% exemption to Remote Area Mining Communities for rent, owner-occupier housing purchase cost and mortgage interest when an employer pays these expenses out of the employee's pre-tax income, in line with 'More than Mining';

#### **2. Stamp Duty**

Investigate the benefits of a phased shift an annual land tax in lieu of current Transfer Stamp Duty arrangements;

#### **3. Regulatory impact on availability of finance**

Review APRA's intervention in the consumer lending market to facilitate easier access to consumer mortgage funding.

#### **4. Government Housing**

Investigate the reliance which both State and Federal Government Departments have on the private rental market, with a view for Government to fund construction of new dwellings for use by Government employees in remote locations.

#### **5. Insurance and access to finance**

Introduce measures that reduce the cost of insurance to owner-occupiers and local businesses who provide housing for employees in remote locations in Northern Australia. This may be achieved by removing, or re-basing Stamp duty on Building Insurance Premiums. Legislating for insurers to underwrite a level of risk in Northern Australia may also increase competition and place downward pressure on premiums.

A review of APRA's guidance in relation to sensitivity applied to mortgage repayments, and clarification of acceptable 'assessable income' for the purpose of debt servicing may assist borrowers access to finance to purchase in 'mining town locations'.

#### **6. Property Rates – Charitable Exemptions**

We propose property rating exemptions for sizeable not for profits be more targeted to incentivising investment in affordable housing stock (build), for charitable organisations of scale, and the delivery of homelessness services.

There is a direct benefit to the Federal Government and Australia in addressing housing affordability and supply, which would also deliver on the Government's Developing Northern Australia agenda. Addressing the issues of housing affordability will allow diversification of industry, lower production costs, and increase productivity – all of which will ensure we remain attractive for investment and

competitive in global markets. Increased output will generate employment opportunities and revenues for the Federal Government for years to come, ensuring Australia's long term future and prosperity.

Thank you for the opportunity to provide feedback. For further information, please contact [REDACTED]

Yours faithfully

[REDACTED]

[REDACTED]

20 October 2023

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<sup>1</sup> REMPLAN, ABS 2020 / 2021 National Input Output Tables, and ABS June 2022 Gross State Product.

<sup>2</sup> [www.reiwa.com.au/rental-properties/karratha~sub~region](http://www.reiwa.com.au/rental-properties/karratha~sub~region)

<sup>3</sup> WALGA 2019 Interim Submission to the Productivity Commission, Study into Remote Area Tax Concessions and Payments [https://www.pc.gov.au/data/assets/pdf\\_file/0006/241719/sub079-remote-tax.pdf](https://www.pc.gov.au/data/assets/pdf_file/0006/241719/sub079-remote-tax.pdf)

<sup>4</sup> Australian Bureau of Statistics (2021) *Census QuickStats 2021 Karratha, Census All persons QuickStats* | [Australian Bureau of Statistics \(abs.gov.au\)](http://Australian Bureau of Statistics (abs.gov.au))

<sup>5</sup> [Northern Australia Insurance Inquiry - Final Report - 30 November 2020.pdf \(accc.gov.au\)](http://Northern Australia Insurance Inquiry - Final Report - 30 November 2020.pdf (accc.gov.au))





# MARKYT Business Scorecard ©

Prepared for: City of Karratha

Prepared by: CATALYSE® Pty Ltd

December 2022



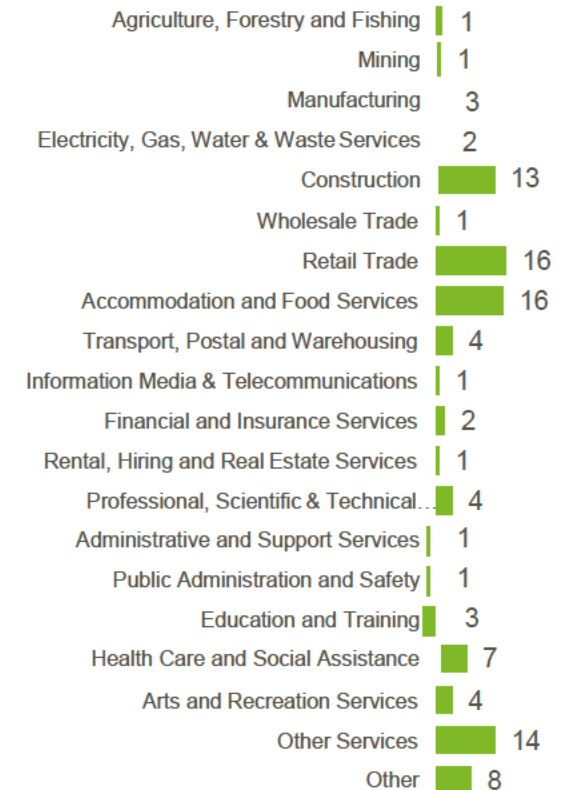
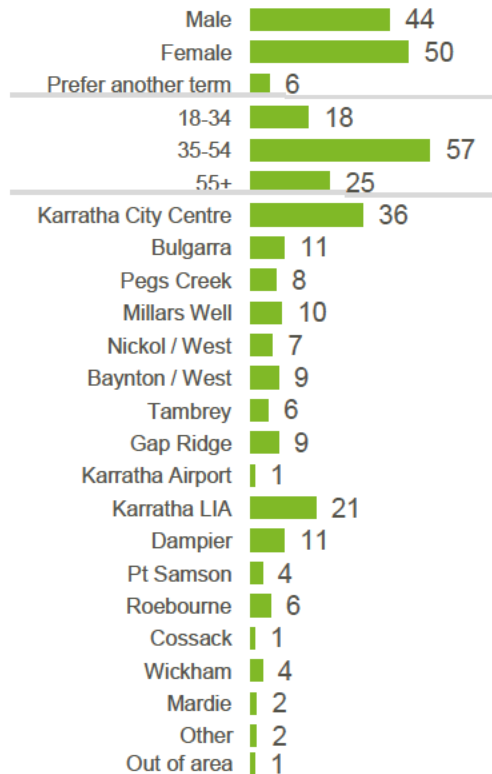
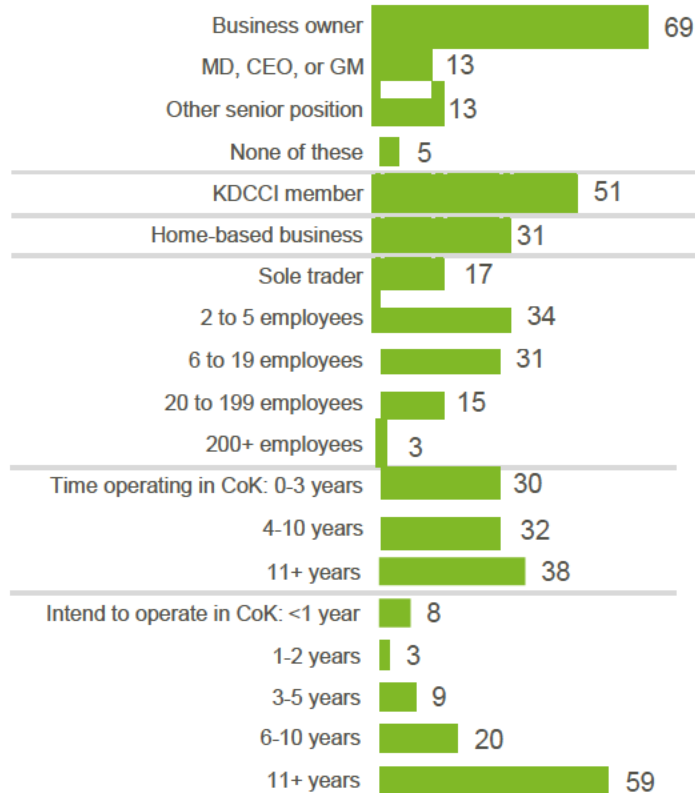
# The Study

In November-December 2022, the City of Karratha administered a MARKYT® Business Scorecard to evaluate business priorities and measure Council's performance.

Data was collected using an online scorecard. Email invitations were sent to 1476 business contacts in the City's database. The City provided supporting promotions via its social media pages and City business events. 160 business representatives took part.

Where totals add to ±1% of the parts in this report, this is due to rounding errors to zero decimal places.

% of respondents (excludes unsure and no response)



### Business Driven Actions

1. Do whatever the City can to improve access to affordable housing for workers and residents.
2. Greater advocacy for affordable insurance.
3. Plan new housing developments with consideration for existing home owners.
4. Advocate for more social housing.

### Business Voices

*"Housing, housing, housing and....housing."*

*"Work on providing more accessible service worker accommodation."*

*"Housing is the main concern with attracting people to the region. It's the first [thing] applicants ask about when they are contacted."*

*"Housing and cost of housing is the biggest issues. how can a single person afford the average rent of \$650 a week when they don't work in mining."*

*"The strategy of liveability - this needs a much higher and more sustained effort by the City of Karratha.... including a very clear enunciation of how this is going to be achieved... The immediate concerns are local affordability and housing to retain and attract new people.... whether they be workers or non-workers."*

*"Housing for staff for businesses who employ more than ten local employees."*

*"Have more affordable housing and flights. ...Make the big companies employ more residential instead of FIFO Don't allow companies to build a whole new suburb like COK allowed Rio to do in Wickham a few years back as it ruined it for the existing home owners!"*

*"More advocacy and lobbying with regard to insurance costs."*

*"Be a champion for affordable and social housing, especially long-term rental properties. Create security for existing and future residents."*

# Issues or challenges | demographic variances

Chart highlights top 3 issues per group

% respondents	Total	Business							Age				# employees				Years of operation			Location				
		Business MD/CEO/GM	Other senior management	KDCCI members	Non-members	Home-based	Non home-based	Male	Female	14-34	35-54	55+	Sole trader	2 to 5	6 to 20+	0 to 3	4 to 10	11+	Karratha CBD	Karratha suburbs	Karratha LIA	Outside Karratha		
Cost of living	65	65	75	56	63	69	73	63	70	62	68	66	65	78	54	69	68	74	67	62	59	67	66	66
Recruiting/ retaining workers	58	55	63	67	57	42	27	60	57	47	53	47	50	28	40	66	63	45	48	56	67	53	72	45
Access to housing	55	49	81	61	56	50	36	60	54	51	58	51	54	28	43	63	74	42	58	62	67	45	76	45
Commercial space	24	28	13	17	20	35	33	25	22	30	42	32	8	44	34	16	16	26	45	15	37	22	17	28
Supply chain	20	19	25	22	22	19	18	22	26	17	11	22	27	17	17	31	16	19	12	28	20	18	17	21
Revenue generation	10	12	0	17	15	10	18	10	15	9	0	12	23	17	11	13	11	23	3	8	6	9	7	14
Financial management	10	11	6	11	13	10	6	14	20	4	5	14	8	6	11	13	16	10	9	15	6	13	0	14
Managing risk / uncertainty	7	10	0	0	6	10	12	5	2	11	16	5	8	6	14	3	5	3	12	5	2	5	7	7
Regulations and compliance	6	6	6	11	6	10	6	8	7	6	0	3	19	17	6	6	5	6	6	8	4	7	3	3
Competition	6	7	13	0	6	10	12	5	4	11	16	5	8	11	11	3	5	6	9	8	2	11	7	3
Technology	3	2	6	0	0	4	6	0	0	4	0	2	4	6	3	0	0	3	3	0	2	4	0	3

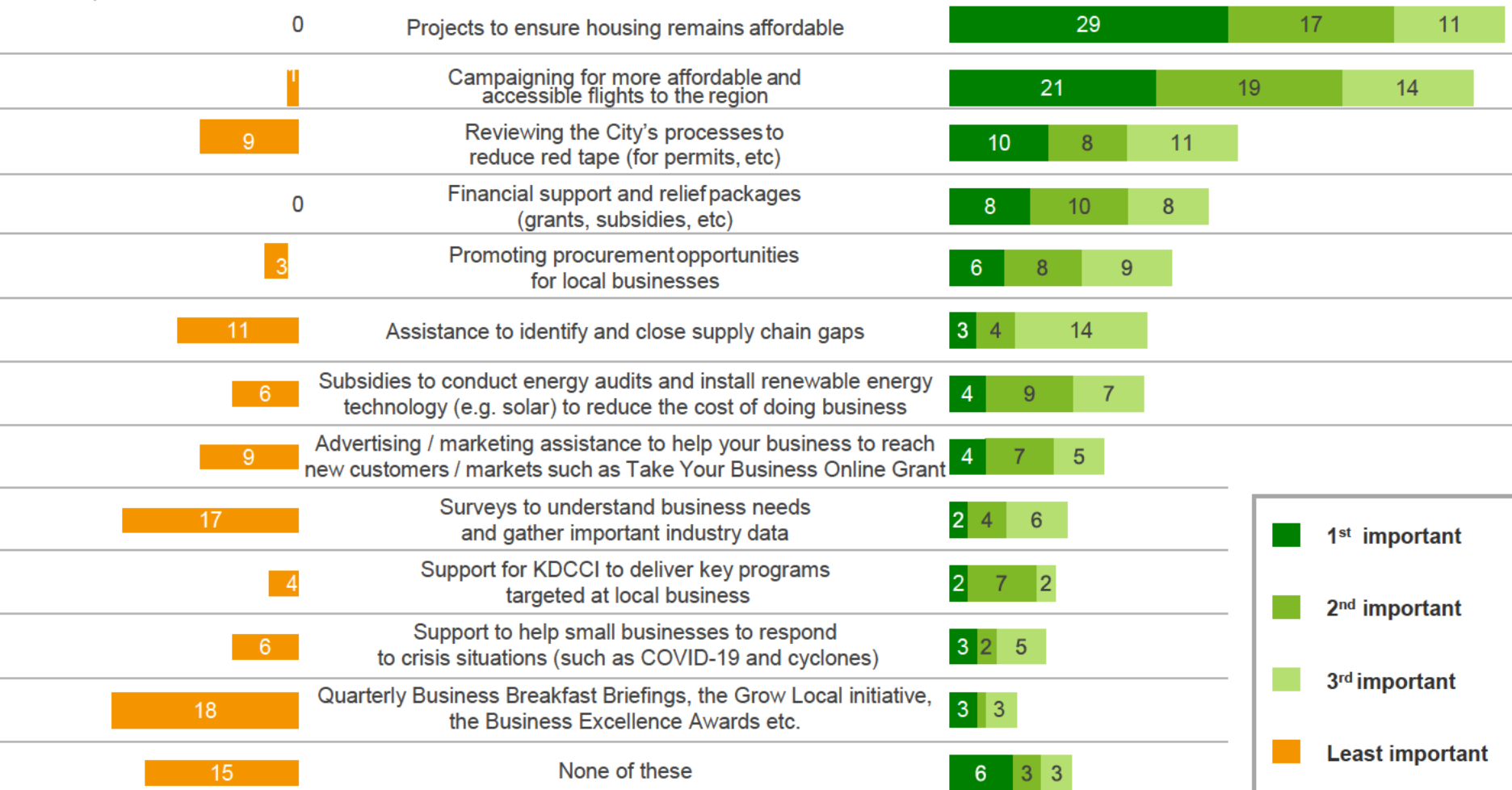
Q. What are the main issues or challenges facing your business? Please select up to 3 choices.

Base: All respondents, excludes 'no response' (n = 143).

# Perceived importance of business initiatives

## Perceived importance of business initiatives

% of respondents



Q. The City of Karratha is always considering new initiatives to support local business and strengthen the local economy. To support you to invest in or expand your business, which of the following City initiatives do you consider to be MOST (1st, 2nd and 3rd) and LEAST important? Base: All respondents, excludes no response (n = varies from xx to xxx)

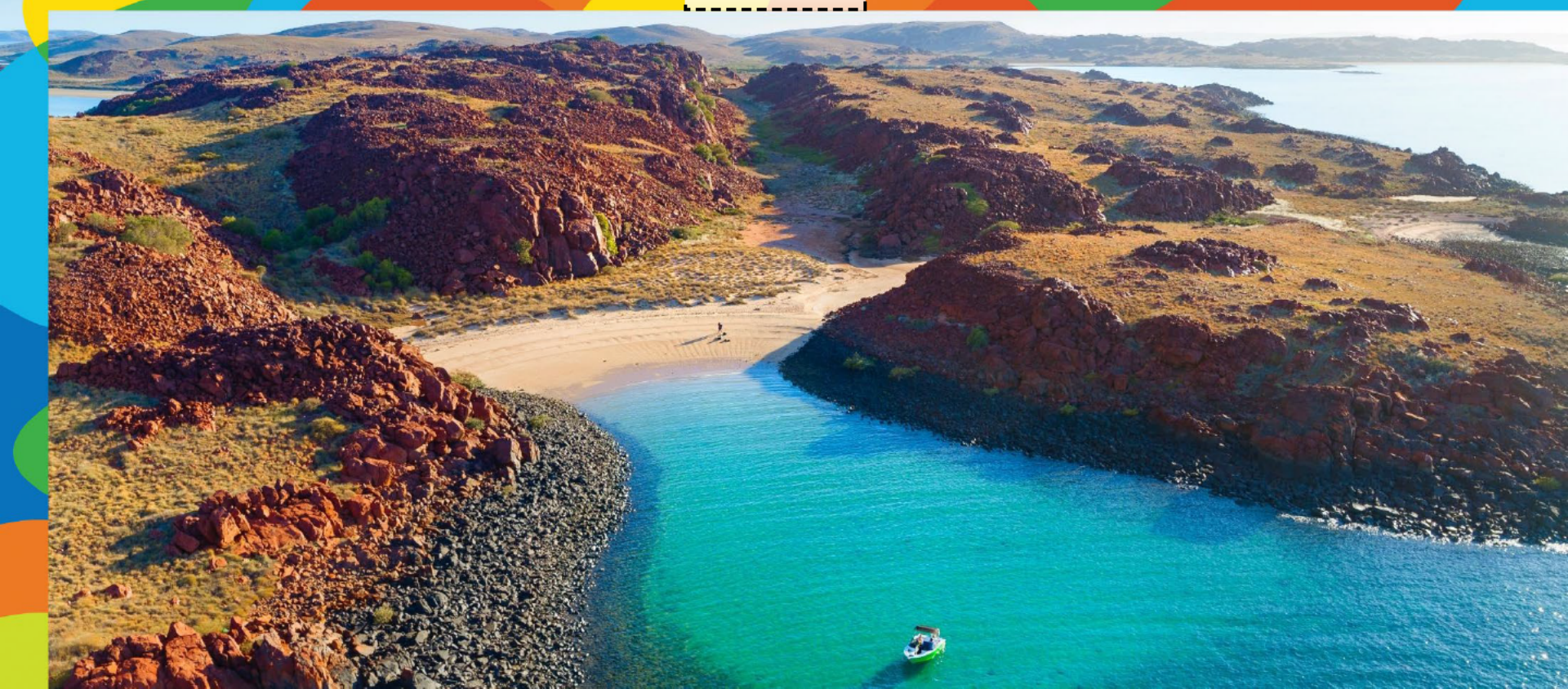
# Importance of business initiatives | demographic variances

% most important (1 <sup>st</sup> mentions)	Total	Age										# employees				Years of operation			Location					
		Business	MD/CEO/GM	Other senior mgt	KDCCI members	Non-members	Home-based	Non home-based	Male	Female	14-34	35-54	55+	Sole trader	2 to 5	6 to	20+	0 to 3	4 to 10	11+	Karratha CBD	Karratha suburbs	Karratha LIA	Outside Karratha
Projects to ensure housing remains affordable	29	20	58	42	26	31	21	32	30	25	37	20	42	6	23	38	37	19	27	36	35	23	30	17
Campaign for affordable/accessible flights	21	25	0	17	17	27	33	16	13	26	21	17	27	39	23	16	16	23	27	15	19	26	30	25
Reviewing processes to reduce red tape	10	10	17	8	11	10	3	14	17	6	5	14	8	0	9	13	21	10	9	13	8	7	10	21
Financial support and relief packages	8	11	0	0	4	13	6	10	9	9	16	10	0	17	11	6	0	13	6	8	11	5	10	8
Promoting procurement opportunities for local businesses	6	6	0	8	9	2	3	7	13	0	0	10	0	6	6	6	5	13	3	3	8	7	5	0
Subsidies to conduct energy audits and install renewable energy technology to reduce costs	4	4	8	0	6	2	6	3	4	4	0	5	4	6	3	3	5	6	0	5	0	7	0	4
Marketing assistance to reach new customers / markets (Take Your Business Online Grant)	4	4	0	8	2	6	9	1	0	8	0	7	0	6	6	3	0	3	6	3	0	2	0	13
Support to help small businesses to respond to crisis situations (such as COVID-19 and cyclones)	3	3	0	8	4	0	0	3	0	4	0	0	8	0	0	6	0	0	0	5	5	2	0	0
Assistance to identify and close supply chain gaps	3	3	8	0	2	4	6	1	4	2	5	2	4	6	6	0	0	3	3	3	3	2	0	4
Quarterly Business Breakfast Briefings, Grow Local initiative, Business Excellence Awards etc.	3	3	0	8	6	0	0	4	2	4	0	5	0	6	0	0	11	3	3	0	5	2	0	0
Support for KDCCI to deliver key programs targeted at local business	2	3	0	0	2	2	6	0	0	4	5	2	0	6	3	0	0	3	3	0	0	5	0	0
Surveys to understand business needs and gather important industry data	2	3	0	0	2	2	0	3	2	2	0	2	4	0	3	3	0	0	3	3	0	2	5	0
None of these	6	8	8	0	11	2	6	7	4	8	11	7	4	6	9	6	5	3	9	8	5	9	10	8

Q. The City of Karratha is always considering new initiatives to support local business and strengthen the local economy. To support you to invest in or expand your business, which of the following City initiatives do you consider to be MOST

**(1st, 2nd and 3rd) and LEAST important?** Base: All respondents, excludes no response (n = varies from xx to xxx)





# 2023 Annual Community Survey Results

# Our survey approach

The Annual Community Survey gathers feedback from the community on how we have performed over the past 12 months and what our priorities should be in the future.



**909** completed responses  
down from 1,023 in 2021



2 February – 6 March  
open for **4.5 weeks**

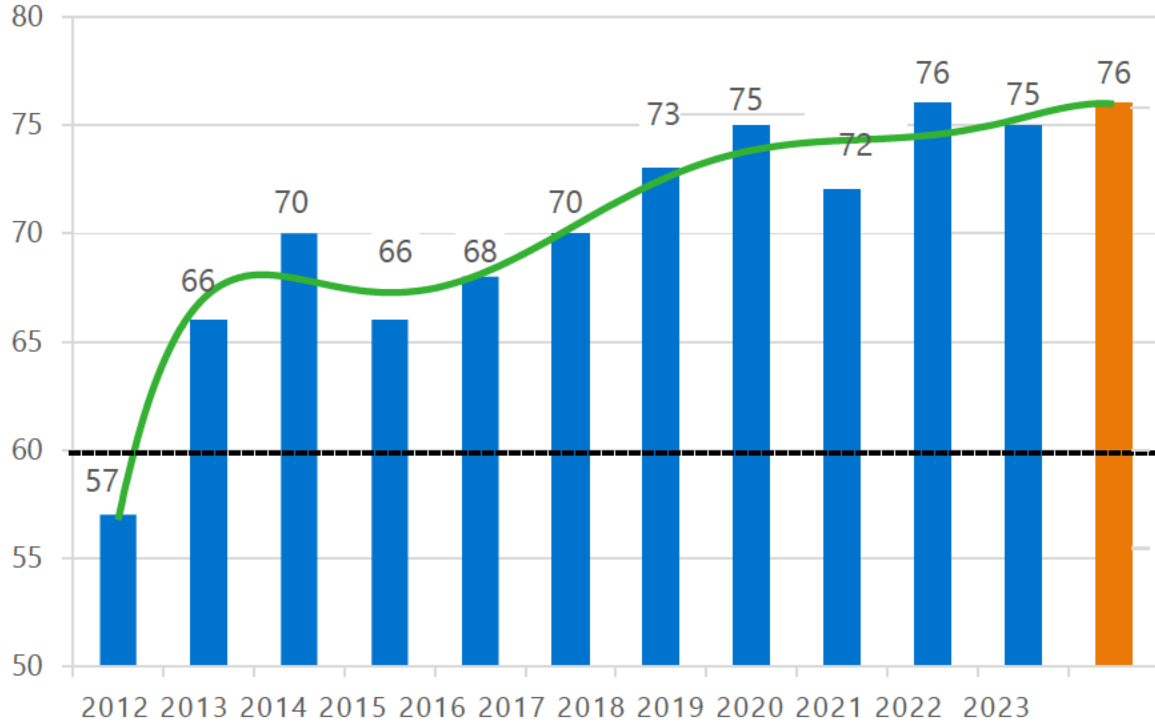


Specific demographics **targeted** via  
promoted posts



**899** surveys completed online  
**10** paper-based

# Overall score for the City



Our overall score has slightly increased this year.

- 2023: **76/100**
- 2022: **75/100**
- 2021: **76/100**
- 2020: **72/100**
- 2019: **75/100**
- 2018: **73/100**
- 2017: **70/100**
- 2016: **68/100**
- 2015: **66/100**
- 2014: **70/100**
- 2013: **66/100**
- 2012: **57/100**

# Liveability: Overall gap analysis 2023

