



TTF TRANSPORT POSITION PAPER

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The First Home Owners Grant and  
Public Transport - Case Study, Sydney





A U S T R A L I A

Tourism & Transport Forum

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## In Short

1. The increased First Home Owners Grant has resulted in more new-build homes being purchased in Sydney.
2. A majority of these homes are in suburbs with poor access to public transport.
3. This has implications for urban sprawl, car dependency, public transport inequality and greenhouse gas emissions.
4. Governments need to consider land use and transport planning strategies to ensure that people moving house have sufficient public transport options.
5. Filling public transport infrastructure gaps and transit-oriented development can address these challenges.

## Overview

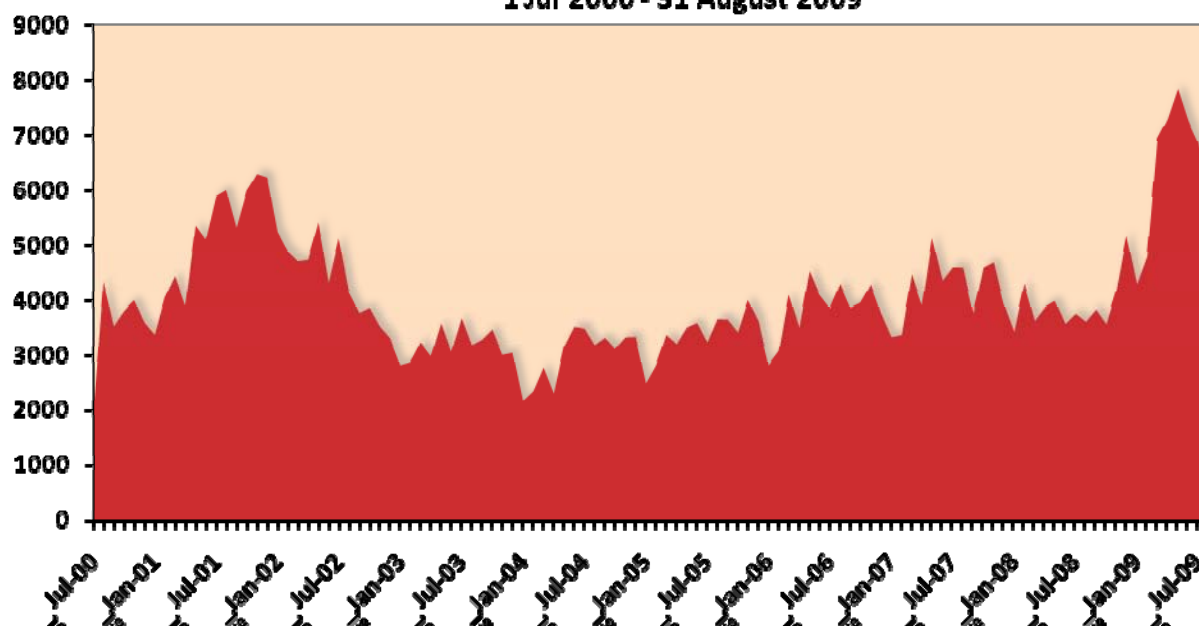
The First Home Owners Grant (FHOG) scheme was introduced in July 2000, providing \$7,000 for first home buyers. This was later expanded to \$14,000 for newly built houses. It was principally intended to offset the impact of the introduction of the Goods and Services Tax (GST) on the housing sector.

From 14 October 2009, the federal government increased the grant to \$14,000 for established homes and \$21,000 for new homes. The NSW government committed a further \$3,000 for new homes. These measures were designed to support the construction sector during the global financial crisis.

Since October 2008, the number of FHOG applications has hit record levels, jumping to around 7,000 per month from a previous average of 3,000-4,000. Between October 2008 and June 2009, 1,485 new build homes were purchased by FHOG recipients in Sydney.

Some reservations have been expressed about the potential negative impacts of the increased grant, such as artificial house price inflation and higher debt among young people. However, TTF is concerned about the broader impact of the FHOG in terms of urban sprawl, public transport access and greenhouse gas emissions.

**First Home Owner Grant Scheme  
Applications Received  
1 Jul 2000 - 31 August 2009**



## The Implications for Transport

Of the 1,485 new homes purchased in Sydney between October 2008 and June 2009, more than half are in postcodes where public transport use is below the metropolitan average of 24.7 per cent of all trips to work. In total, 38.3 per cent of those new build first homes purchased with the increased grant are in suburbs in which fewer than 20 per cent of residents use public transport. The table below shows the postcodes with the highest number of new build grant recipients and their respective

Postcode	Suburb(s)	'New' Build Grants <sup>1</sup>	% Using Public Transport to Work <sup>2</sup>
2145	Giraween/ Greystanes/ Wentworthville / Westmead	127	22.4%
2155	Kellyville/ Rouse Hill	82	6.0%
2148	Blacktown/ Prospect	73	16.3%
2170	Liverpool/ Casula/ Warwick Farm	67	13.7%
2020	Mascot	51	31.0%
2167	Glenfield	51	24.6%
2144	Auburn	48	31.6%
2161	Guildford	45	17.6%
2152	Northmead	42	12.2%

<sup>1</sup> NSW Office for State Revenue

<sup>2</sup> Australian Bureau of Statistics, 2006 Census

These figures indicate that while the increased FHOG has been successful in encouraging first home buyers into the market, many of those buyers are purchasing homes in suburbs with poor public transport options – entrenching car dependency and urban sprawl.

The table below shows how first home buying patterns affect traffic levels. If Sydney first home buyers using the expanded grant travelled to work exclusively by car, they would account for more than a million peak hour trips per annum. If their public transport use matched the average in their new postcodes, they would account for more than 700,000 peak hour trips per annum. However, if their public transport use matched the average in St Leonards – where high density housing is built around a public transport hub - they would account for under half a million peak hour trips.

Category	Peak Hour Trips
Total annual work trips taken by FHOG recipients assuming all trips taken by car	1,002,375
Likely private car trips assuming FHOG recipients match their postcode average of public transport usage	738,483
Private car trips had FHOG averaged the 37.3 per cent public transport usage for ‘movers’	628,489
Private car trips had FHOG averaged the 53.3 per cent public transport usage for residents of St Leonards	468,109

*Assumptions: 45 work weeks, 5 days per week, 1.5 workers per house, 2 trips per day*

In short, the expanded FHOG scheme has resulted in 270,000 more peak hour trips per annum than it would have done had the recipients moved to suburbs with good access to public transport. This presents serious strategic challenges for federal and NSW government policy.

## The Challenge for Governments

There will be an immediate impact on traffic levels on Sydney’s roads from the short-term increase in the FHOG.

Notwithstanding this immediate challenge, governments need to consider the long-term implications if first home buyers continue to purchase in suburbs under-served by public transport. Sydney’s transport network already suffers from high car dependency and infrastructure bottlenecks. Congestion cost Sydney \$4.58 billion in 2009, a figure that is forecast to rise to \$7.76 billion by 2020.<sup>3</sup>

<sup>3</sup> Bureau of Transport and Regional Economics, *Estimating urban traffic and congestion cost trends for Australian cities – working paper 71*, 2007 p109.

Urban sprawl, particularly in the city's west, north-west and south-west, combined with limited public transport access in these areas, is compounding the problem.

This has economic impacts, because longer travel times result in lost work hours and reduced business productivity. It has social impacts, because commuting delays mean workers spend less time with their families and suffer stress during their journey. It has environmental impacts, because greater car use results in more greenhouse gas emissions, affecting governments' abilities to meet climate change policy goals.

In the long term, the cost to government to retrofit public transport infrastructure in established fringe suburbs after urban development occurs is another key challenge. The cost for transport infrastructure rises due to increased property prices and impediments on structural design and construction due to the increased density. In addition, incentivising residents to use public transport after the infrastructure is made available becomes much more difficult when the private vehicle has already become a way of life.

More broadly, urban sprawl and increased congestion reduces Sydney's attractiveness as a place to live and a destination for business and tourism, ultimately affecting its national and international competitiveness.

Forecast population growth in Sydney of 1.5 million people by 2036<sup>4</sup> is set to exacerbate the situation, unless governments plan strategically. In particular, the city's north and south west – designated 'growth centres' under the NSW government's Metropolitan Strategy – are at risk from inadequate public transport access.

## TTF Position

Demand for public transport use is impacted by several factors, including marketing, ease of access to reliable services and service information, frequency of service, reliability of service, and cost. In Sydney there is a notable shortage of opportunity to use public transport and of the infrastructure required to provide this opportunity, particularly in urban fringe areas.

Recent data released by the Australian Bureau of Statistics Research (ABS), shows there is a strong appetite among home-buyers in particular for good transport options - 63.4 per cent of people who have moved house in Sydney over the past three years nominated 'accessibility' as a reason for doing so. These 'movers' are more likely to use public transport than 'non-movers'. The table below shows the mode choices for journeys to work of movers and non-movers.

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<sup>4</sup> New South Wales State and Regional Population Projections: 2008 Release.

Mode of Transport	Movers (%)	Non Movers (%)
Motor vehicle - driver	57.1	74.3
Motor vehicle - passenger	5.6	5.1
Train	19.3	15.9
Bus	16.3	10.0
<b>Total Motor Vehicle</b>	<b>62.7</b>	<b>79.4</b>
<b>Non Motor Vehicle</b>	<b>37.3</b>	<b>20.6</b>

Government policy should be focused on catering for and encouraging this demand by ensuring that home movers – and particularly first home buyers – have good access to public transport.

Transport needs to support economic growth and facilitate responses to economic and demographic change. The challenges and opportunities facing Sydney and other major urban centres in NSW require a paradigm shift in the way the urban form is shaped. Simply allowing urban sprawl without any consideration to infrastructure and mobility is inadequate to meet the needs of residents in the future.

The NSW government should take a long-term approach to both land use planning – to control what type of housing is built and where – and transport planning – to ensure that there is equitable access to public transport in all areas of Sydney, especially growth areas.

A more sustainable urban form consisting of mixed-use development concentrated along transport corridors will create a transit-connected city, by reducing the over-reliance on private vehicles through improvements in the proximity of residents to shops, services and transport. Such a strategy will transform the way housing and employment is delivered, and the way residents interact with the city, through the creation of multiple economic and social activity centres. Transit Oriented Development is one method for urban renewal targeting key transport nodes, currently being adopted.

The federal government can assist in this process by providing funding for major public transport infrastructure projects that address infrastructure gaps in urban growth corridors in Sydney, through the Infrastructure Australia program. It can also set guidelines for the integration of planning, housing and transport policy through its Major Cities Unit.

## Key Priorities

TTF believes there are three clear medium to long term priorities to ensure that home-buying trends do not combine with population growth to worsen the costs of urban sprawl and congestion.

Firstly, a long-term strategic transport plan should be developed, linked to city planning and economic, social and environmental policy objectives. The recent consolidation of NSW government departments should help achieve a more coordinated approach.

Secondly, the NSW government should plan urban growth around transport corridors. Clustering medium and high density housing, retail centres and public spaces around transport hubs constrains urban sprawl and encourages multi-modal public transport use. By its nature, transit-oriented development involves the construction of affordable, unit-based housing –to provide not only affordable options for first-home buyers but also immediate access to public transport.

Thirdly, there must be consistent and significant investment in capacity-building public transport infrastructure, particularly for projects that address poor access in urban growth areas - the West and Northwest Metro projects will potentially achieve this goal, but remain at the planning stage. A rail option for the south-west is also vital and the South West Rail Link must be expedited.

The NSW government should develop credible, detailed plans for these projects and allocate them the necessary funding in the state budget. This, in turn, would present a strong case to the federal government for funding from the Building Australia Fund. In addition, the government should consider other funding mechanisms, such as public private partnerships.



# Policy Recommendations

## NSW Government

1. Consider home-buying patterns arising from the First Home Owners Grant in land use and transport planning policy.
2. Plan strategically and invest substantially in public transport infrastructure to growth suburbs not well-served by public transport at present.
3. Adopt transit-oriented development principles in planning for new development in the Sydney metropolitan area.

## Federal Government

4. Through Infrastructure Australia and the Building Australia Fund, invest in viable infrastructure projects that fill public transport gaps in Australian cities.
5. Set a framework for the integration of land use and transport planning through the National Urban Policy being developed by the Major Cities Unit.
6. Consider the long-term impact of the First Home Owners Grant on home-buying patterns and its implications for other policy areas such as transport and climate change.



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