

8 March 2016

8 Gells Court, Deakin
Canberra ACT 2600
Australia
T: (02) 6285 1672
F: (02) 6282 4253
info@lordmayors.org
www.lordmayors.org

The Secretary
Standing Committee on Infrastructure, Transport and Cities
Parliament House
CANBERRA ACT 2600
By e-mail: itc.reps@aph.gov.au

INQUIRY INTO TRANSPORT CONNECTIVITY IN STIMULATING DEVELOPMENT AND ECONOMIC ACTIVITY

The Council of Capital City Lord Mayors (CCCLM) welcomes the opportunity to provide comments to the Committee's inquiry into the role of transport connectivity in stimulating development and economic activity.

The CCCLM represents the interests of the Lord Mayors (and ACT Chief Minister) of Australia's eight capital cities. Australia's capital cities drive national economic growth, innovation and creativity.

The CCCLM recognises the importance of transport connectivity in delivering economic and social benefits to Australia's cities.

In recent years local governments have seen funding through grants and subsidies reduced which has put increased pressure on the capital and major cities to deliver infrastructure and services, therefore CCCLM is supportive of developing alternative equitable and sustainable funding and financing models.

The benefits of transport connectivity

It is well established in spatial planning and economic geography that improving transport connectivity, specifically improving *accessibility*, is likely to result in an increase in land and property values. This effect is widely understood as a main driver of urban form and development viability, whereby land in more accessible locations will attract a higher price, leading to a higher yield or higher-value use of that land.

In urban areas, access to employment is highly valuable, and therefore transport interventions that improve people's access to jobs are likely to result in significant property value increases. The 'land bid rent curve' best explains this effect, as shown below:

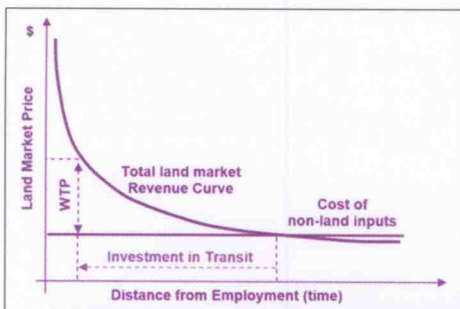


Fig. 1. Land Bid Rent Curve, McIntosh et al, 2014. (Adapted from O'Sullivan, 2012)

This interplay between land use and transport infrastructure shapes how cities are formed and how they function.

For example, in Perth this effect has been clearly observed in the delivery of the Mandurah rail line, in 2007. According to McIntosh et al, land values within a 400m catchment of rail stations increased by 40% due to the accessibility provided by the new rail system (McIntosh et al 2014, pg. 16).

The value of transport connectivity is important to the business community. Improving transport connectivity and accessibility expands the labour pool from which businesses can draw from, enabling them to attract talent from a wider, more diverse labour market. It also contributes to improvements in business-to-business interactions, whereby trade and communication between firms is improved, resulting in greater productivity and a lifting of the economic output of those firms.

Value capture

There are many approaches to value capture, however in essence value capture seeks to identify and quantify revenue streams that can contribute to project funding, and develop mechanisms which can collect this revenue.

In essence, value capture changes the funding focus from 'user pays' to 'beneficiary pays', where beneficiaries can include industry, developers and property owners.

For value capture to be most effective, the potential increase in values and the beneficiaries need to be clearly identified from the beginning of the development of the project's framework. It is critical that any value capture framework incorporates principals of equity and fairness.

The roles of government

All levels of government in Australian cities are involved in the management of land based fiscal tools (such as land tax, property tax, stamp duty, business and residential rates, etc). Therefore it is important for all levels of government to collaborate on potential value-capture mechanisms, and how they might be implemented in each city.

Local Government is uniquely placed to contribute to the design of value-capture mechanisms, given its knowledge of the local economic and planning context in which such mechanisms might be applied. Local Government is also well suited to act as an interface between stakeholders and other tiers of Government, as it is the closest tier of Government to the community.

In particular Local Government has a role as the primary place-makers in the development of major transport programs, especially where value capture is implemented, or there is significant density uplift expected due to the impact/benefits to local communities.

As a consent authority, local government has a significant role in rezoning land and providing expert insight and advice about community needs and opportunities. Decisions made now on development should consider future opportunities.

The structure of urban governance in many Australian cities places the responsibility of metropolitan planning and infrastructure design on the State/Territory Government. Therefore, State/Territory Government planning and transport authorities are likely to play a central role in the establishment of value-capture mechanisms tied to city-wide infrastructure projects.

Brisbane City Council is an example of a much wider reaching local government authority, covering an area of over 13,000 km², in contrast to Perth (8km²), Melbourne (36km²) and Sydney (25km²). This may simplify

the design and implementation of value-capture mechanisms, depending on the role and involvement of the local government sector.

It is critical that tiers of government work together to plan for and implement transport and urban domain changes early to respond to the land use change, and appropriately influence uptake of desired travel behaviours and respond to emerging market preferences as a result of new or released trip generators.

In addition to sometimes directly funding the core project, local governments often enhance the value of major transport infrastructure projects by funding and delivering ancillary infrastructure and services, including the provision of pedestrian and cycling links and streetscape/landscape improvements, as well as changes to urban planning instruments and building codes. It is important that the benefits of value capture are appropriately shared with local government to reflect this contribution.

State/Territory and local governments could work together to develop overarching place-based strategies for new hubs created by the provision of infrastructure such as high speed rail. Communities need to be able to access the infrastructure - especially in outer metropolitan areas to connect with jobs and services.

Commonwealth and State/Territory Governments in particular would need to work together to understand the impact that the development of a major transport program would have on other major infrastructure programs (for example, the development of Metro and WestConnex in Sydney with potential alignment for high speed rail) to effectively coordinate services.

Concluding comments

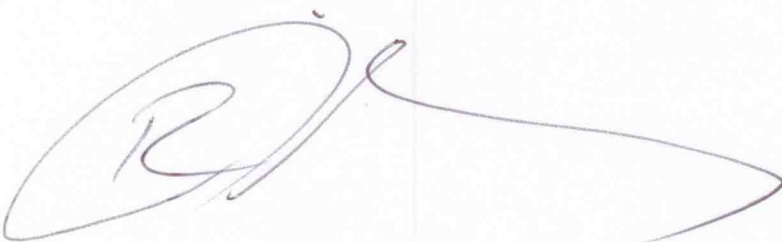
Transport connectivity, and accessibility, is fundamental to the development and economic activity of cities. There is an opportunity to better reflect the way in which transport infrastructure is financed in Australia.

Examples of where value capture has been utilised in Australia's capital cities are outlined in the appendices to this submission.

There are a number of options in addition to value capture to fund the infrastructure of our cities. In 2013 CCCLM engaged Ernst & Young to prepare a comprehensive report identifying the infrastructure financing solutions for Australia's Capital cities. This report is at Attachment A.

Thank you for the opportunity to provide a submission to the inquiry. If you wish to clarify any matters raised in this submission please contact the CCCLM secretariat on 02 6285 1584.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Richard Lindsay', written in a cursive style with a long horizontal flourish extending to the right.

Richard Lindsay
EXECUTIVE DIRECTOR

