The Parliament of the Commonwealth of Australia

# Fairer funding and financing of faster rail

## Inquiry into options for financing faster rail

**House of Representatives**
**Standing Committee on Infrastructure, Transport and Cities**

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Canberra

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# Chair's foreword

Cast your mind to the future. Consider where Australia could be in 20, 50, 100 years if we had unlimited access to the infrastructure we need to grow.

Imagine high-speed rail linking our major metropolises and connecting new vibrant regional cities in commutable times. Replacing the world's busiest air corridors with low emissions electric powered trains with travel times from doorstep to doorstep in less time than is currently achieved by air.

Imagine relieving our major cities of the burden of overcrowding while increasing our capacity for growth, through a strategic plan of decentralisation and the infrastructure required to deliver this dream.

Imagine generating affordable housing for generations to come—a modern iteration of a Commonwealth of Australia with home ownership a foundation of a fair distribution of wealth through fair market mechanisms; wage earner competing with wage earner to secure a home.

It sounds far-fetched, but this could be possible with sustainably funded infrastructure. Finding that silver bullet is the purpose of this inquiry.

Our inquiry considered evidence that documented the awesome power unleashed on property values when impacted by infrastructure and rezoning. When new infrastructure like rail is built, the land prices always rise dramatically. Currently, this dramatic price rise provided by taxpayer funded infrastructure is pocketed by the lucky landowner. Harnessing this growth is essential to equitably fund infrastructure by requiring those who profit from taxpayer funded infrastructure to contribute a fair share.

The pivotal question must be of fairness. Is it fair for the taxpayer to fund infrastructure that creates great wealth for landowners, speculators and developers? Should the taxpayer receive a return when their money is invested? Is it fair that we leave future generations to pay for our spending today?

Evidence provided to this inquiry documented lands in Western Sydney that were valued as agriculture, at under $2,000 per acre 20 years ago, that have increased in value through the announcement of the Badgerys Creek Airport. Its associated infrastructure and rezoning have raised the value of land close to proposed Metro Rail stations to over $10 million per acre, an increase of an astounding 500,000 per cent. The trend we have witnessed will therefore result in greater wealth for some at the expense of taxpayers. Properly levied these phenomenal uplifts would have funded the very infrastructure that created the uplift in property values.

Rail expert, Professor Andrew McNaughton, noted that uplift within 500 metres of a Metro station is significant, and can extend over much greater areas. Professor McNaughton was the Technical Director of High Speed 2 (HS2) in Britain and more recently has consulted to the NSW Government on faster rail. He advised most strongly that before making any more announcements of infrastructure projects, governments must secure the current value of the lands on which they wish to make a charge, because after the announcement it is too late.

If this compounding trend continues, the proposed $100 billion infrastructure investment will result in a great debt burden for future generations while creating unimaginable wealth for some. This would result in a compounding of the negligence by governments for over one hundred years in failing to represent the people of Australia; by not gaining a fair share of the wealth created when investing Australian taxpayers' money.

I would like to extend my thanks to everybody involved in this inquiry, from the people and organisations who took the time to share their expertise, my colleagues on the committee, my able Deputy Chair, the Member for Solomon, and the secretariat, Stephen Boyd, Casey Mazzarella, Stephanie Woodbridge and especially Samantha Mannette. Like everything else in 2020, COVID-19 played havoc with this inquiry, cancelling hearings and even postponing the inquiry for a few months. It is to the credit of the secretariat that this report exists at all.

When we started this inquiry at the very end of 2019, we wanted to find a way to better fund our critical infrastructure. As we conclude it at the end of 2020, we *need* to find a way.

In 2020 we have seen Australia's first recession in nearly three decades. In response the Australian Government has committed to billions of dollars in infrastructure as stimulus, resulting in debt that will last generations.

This committee has previously recommended a value capture model be designed and utilised in Australia, which has either been ignored or received token acknowledgement. Before it was an opportunity, now it is an imperative. We find ourselves at a crossroads. On one side is more debt, ad-hoc infrastructure, and a limping recovery. On the other side is dynamic growth, sustainable infrastructure, and opportunity. It should not be hard to see that business as usual is not serving our citizens fairly.

The conclusion is obvious, that the Australian Government—working with state, territory and local governments—should: secure land valuations before announcements; and develop an infrastructure levy mechanism that is just, equitable and fair to sustainably fund infrastructure and provide relief for taxpayers now and in the future.

A master funding plan for a master plan of infrastructure, settlement and recovery.

In the words of Professor McNaughton, we must act, *now.*

**John Alexander OAM MP**
**Chair**

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## APPENDICES

# Membership of the Committee

| | | |
|---|---|---|
| **Chair** | Mr John Alexander OAM MP | |
| **Deputy Chair** | Mr Luke Gosling OAM MP | |
| **Members** | Mr Vince Connelly MP | Ms Joanne Ryan MP |
| | Mr Andrew Giles MP | Ms Rebekha Sharkie MP (to 23/3/20) |
| | Mrs Melissa McIntosh MP | Mr Bert van Manen MP |
| | Mr Ted O'Brien MP | Dr Anne Webster MP (to 4/3/20 and from 10/6/20) |

# Committee Secretariat

| | |
|---|---|
| **Secretary** | Ms Casey Mazzarella (from 3/8/20) |
| | Mr Stephen Boyd (to 31/7/20) |
| **Inquiry Secretary** | Ms Samantha Mannette |
| **Senior Research Officer** | Ms Stephanie Woodbridge |
| **Office Manager** | Ms Jazmine Rakic |

# Terms of reference

The committee will inquire into options for financing faster rail.

# List of abbreviations

| | |
|---|---|
| ACT | Australian Capital Territory |
| CEO | Chief Executive Officer |
| COAG | Council of Australian Governments |
| C-SRAG | Canberra–Sydney Rail Action Group |
| IPFA | Infrastructure and Project Financing Agency |
| LVC | Lease Variation Charge |
| NFRA | National Faster Rail Agency |
| PPP | Public–private partnerships |
| QIC | Queensland Investment Corporation |
| SIC | special infrastructure contributions |
| TIF | tax increment financing |
| UDIA | Urban Development Institute of Australia |
| VCC | value capture and creation |

# List of recommendations

**Recommendation 1 (paragraph 2.136)**

The committee recommends that the Australian Government, in consultation with state, territory and local governments, develop mechanisms at the national level for value capture of uplifts in property values relating to rail infrastructure projects, wholly, or partially, funded by the Australian Government.

**Recommendation 2 (paragraph 2.137)**

The committee recommends that the development of mechanisms for value capture of land value uplift resulting from wholly, or partially, Australian Government funded rail infrastructure projects should consider and determine:

- how mechanisms that utilise rezoning opportunities, such as the Australian Capital Territory Lease Variation Charge, could be applied more broadly
- what constitutes a 'just, equitable and fair' portion of uplift to be shared between taxpayers and beneficiaries, and what, if any, caps could be applied
- how the value share received can be quarantined, allocated fairly between the levels of government, and used for relevant infrastructure projects
- options for streamlining value capture payments, to avoid unreasonable duplication, for example through a secondary developer levy if already captured from the landowner's value uplift
- how access to Australian Government funding will be conditional on meeting the set criteria.

**Recommendation 3 (paragraph 2.140)**

The committee recommends that the Australian Government, in consultation with state, territory and local governments, establish a mechanism to secure the base value of land that can be reasonably expected to receive value uplifts resulting from a rail infrastructure project that will be wholly, or partially, funded by the Australian Government. This mechanism should be applied early in the planning stage and in advance of any project announcements.