



**Submission to the**

**Standing Committee on Infrastructure,  
Transport and Cities**

**on**

***The role of transport connectivity on  
stimulating development and economic  
activity***

**Local Government Association of Queensland  
February 2016**

## The Local Government Association of Queensland

The Local Government Association of Queensland (LGAQ) is the peak body for local government in Queensland. It is a not-for-profit association setup solely to serve councils and their individual needs.

The LGAQ has been advising, supporting and representing local councils since 1896, allowing them to improve their operations and strengthen relationships with their communities. The LGAQ does this by connecting councils to people and places that count; supporting their drive to innovate and improve service delivery through smart services and sustainable solutions; and delivering them the means to achieve community, professional and political excellence.

## Terms of Reference

The LGAQ notes the Terms of Reference:

The Committee is to inquire into and report upon the role of transport connectivity in stimulating development and economic activity both in major urban areas, and in regional Australia, in particular:

- a. Identifying the likely impact on property values and property-related tax revenues as a result of transport connectivity;
- b. examining options for the application of value-capture mechanisms to sustainably fund transport infrastructure;
- c. considering means, including legislative and administrative actions, by which government and the private sector can best utilise value-capture funding mechanisms;
- d. considering the appropriate roles of each of the three levels of government in establishing sustainable value-capture funding mechanisms for planning and infrastructure construction;
- e. examining any international experiences of the delivery of high speed rail projects by value-capture methods and the impact of high speed rail on city and regional development;
- f. examining methods of implementing value-capture in both greenfield and brownfield developments; and
- g. examining ways to capture future value opportunity when reserving transport corridors.

'Value capture' is a general term used in economics that describes a method by which some part of the value of a transaction is retained in consideration of facilitating the transaction.

Taxation enshrines the principle of value capture; it raises revenue from transactions to fund infrastructure and services which facilitate continuing economic activity.

It is understood that the particular definition of interest under the Terms of Reference applies the principle of value capture to taxing unearned / unrealised value increases in property values that can be specifically attributed to (new and existing) public transport infrastructure.

This submission will address relevant key matters and the Terms of Reference in more detail.

## Summary points

The LGAQ is pleased to contribute to the Inquiry and welcomes the focus by the Australian Government on issues affecting the growth, development and accessibility for communities.

In summary, the LGAQ submits that:

1. While the investigation of innovative and equitable infrastructure funding options is supported, any proposed infrastructure development and funding framework should not shift the cost burden onto councils and their communities, or ‘crowd out’ local government’s sole revenue base.
2. Local government rating currently applies the principle of value capture to property values. Further, levies to fund specific services and infrastructure delivery, such as the City of Gold Coast *Transport Improvement Separate Charge*, can be applied where appropriate under existing legislation in Queensland (and in other states).
3. To further support infrastructure funding, councils should not be limited in their ability to apply infrastructure charges (developer contributions) that reasonably seek to recover the full costs of providing infrastructure (particularly for new developments).
4. Any consideration of alternative revenue raising methods must be undertaken as part of the overall reform of taxation, and not in isolation. As the Committee would be aware, the tax system that introduced the GST originally included an indication that a number of State taxes (land tax, stamp duty, payroll tax) would be removed.
5. Increases in the value of property are currently taxed through State land tax (owner-occupier exemption in Queensland) and on the sale of a property through capital gains tax (CGT) on business and investment properties, and goods and services tax (GST on the service component as a % of value) and stamp duty on all sales and insurance contracts.
6. Higher business and personal incomes generated at infrastructure ‘advantaged’ locations are taxed at higher marginal rates and generate higher income tax and GST revenues. This essentially accounts for the difference in general levels of economic activity between cities and smaller economic centres.
7. The further encroachment on the property value revenue base of local government by other levels of government through wider use of any form of land tax is not supported.
8. Reliable measurement of the increase (or decrease) in land value due to enhanced transport connectivity relative to other factors impacting land value is subject to significant challenges. There would also need to be different approaches to identify ‘value capture’ between ‘greenfields’ and ‘brownfields’ locations, requiring the application of asset valuation concepts such as remaining useful life etc. All of these factors are already considered in pricing models which form the basis for charging transport fares and fees.
9. Further to these significant challenges, attempting to capture a possible ‘future uplift’ in land values at time of corridor reservation cannot be justified as there can be no certainty that a project will proceed, and there are many examples where corridors and sites are later sold.
10. Mechanisms where a direct link between the infrastructure and the beneficiary can readily be established (eg. toll roads) remain one of the most transparent and equitable ways to fund the provision of transport infrastructure. This approach to user-pays pricing particularly supports private sector participation and investment. For example, as the Committee would be aware, the Australian Government has over recent years been developing a method for heavy vehicle road use charging and investment that is under-pinned by user pays and hypothecation principles.

## The role of local government in public infrastructure

Local government plays a key role both directly and in supporting other levels of government and the private sector to deliver, operate and maintain public infrastructure.

According to the latest ABS Government Finance Statistics, in 2013-14 Queensland's 77 councils managed \$89 billion of non-financial assets, with an average of \$1.9 billion of assets being added to local governments' asset base each year for the past ten years (ABS 5512). This represents about one third of all public (non-financial) assets across the State.

Road assets are a key component of this asset base. Queensland councils manage over 150,000 kilometres of road network and bridges, which the Department of Infrastructure, Local Government and Planning (DILGP) value at \$43 billion. Queensland councils spend over 28% of their annual budgets to maintain road assets, which in 2013-14 amounted to approximately \$2.5 billion.

The other significant asset class for Queensland councils is water and waste water infrastructure, which has an estimated value of \$25 billion (not including approximately \$6 billion of storm water assets). Additional water and waste water assets are owned and operated by public enterprises, some of which have councils as their shareholders.

Water and waste water infrastructure is also a growing asset base, with a projected average new investment of \$300M of capital renewal each year for the next 10 years.

Similar to roads, Queensland councils spend a significant portion of their annual budget to maintain water and waste water assets, which in 2013-14 amounted to approximately 10% or \$1 billion (DILGP 2015).

Many recent reviews of infrastructure responsibilities have failed to recognise the significant contributions, direct and indirect, by local government to the provision of infrastructure in the areas of public transport, urban water supply and waste water, cultural centres, education and child care, community health, natural disaster and emergency services, public safety and housing.

While it is acknowledged that some infrastructure in these sectors is provided by councils on behalf of the State Government under a service agreement, councils still make significant contributions. For example, a 2014 LGAQ survey found that Queensland councils, predominantly in remote and indigenous council areas, provide approximately 3,000 dwellings for community housing.

Other infrastructure provided by local government in sectors that are traditionally the responsibility of the State or Australian Governments can be a legacy situation where a community has required the infrastructure, however it was unfunded or otherwise not available through the usual delivery arrangements from the responsible level of government.

Australian and State government agencies undertaking reviews of their infrastructure responsibilities should recognise instances where local government is delivering, operating or maintaining infrastructure that should be provided by that agency. In the absence of service agreements, Australian and State government agencies should resume their responsibility to provide infrastructure to these communities to a reasonable level, or to enter into agreed arrangements with the relevant council to address any cost-shifting that has occurred over time.

Queensland councils have demonstrated that they are prepared to explore innovative infrastructure delivery and operating arrangements. Due to the scale and demand for some projects in the highly urbanised South East of the State, Brisbane City and the City of Gold Coast has entered into some joint venture projects utilising innovative joint ownership / management and tolling arrangements.

A number of Queensland councils with the capacity to service a loan currently use debt financing to provide certain infrastructure, and this is typically funded from general rates revenue. The Queensland Treasury Corporation Annual Report 2014-15 notes that as at 30 June 2015 Queensland Councils are carrying \$6.9 billion in debt (market value).

Queensland councils are supported in their assessment of whether to use debt financing by the Queensland Treasury Corporation (QTC), which undertakes a detailed review of council finances and also provides loan services to councils. QTC's services support the council decision-making process and reduce transaction costs for councils. The Queensland State Government also guarantees council loan borrowings, which provides further confidence to potential investors.

In recent public discussions, the City of Gold Coast light rail project has been cited as an example where 'value capture' charging for transport infrastructure has been applied. There are two key points to note in relation to the financial support provided by the council for this project.

First, the City of Gold Coast Council's *Transport Improvement Separate Charge* has been charged as a flat levy (subject to review at each annual budget) across all properties for many years and is used to fund both service delivery and to service loans for infrastructure, including to service loans taken out to fund a share of the Gold Coast light rail project.

Second, as the BITRE report notes in relation to the Gold Coast Light Rail, RP Data for the 2000-2013 period shows there has been no observable differences in price movements in the areas surrounding the project compared to other parts of the Gold Coast. While there may be some localised examples of value increases potentially driven in part by accessibility to the light rail, other factors may be more significant in driving land value increases on the Gold Coast.

## Identifying the likely impact on property values and property-related tax revenues as a result of transport connectivity

The traditional, and most significant, benefit from transport networks is the movement of people to places of employment and other economic activity. Fares and relative costs influence user decisions to use alternative transport modes in the network.

Infrastructure that contributes to general 'transport connectivity' will create positive and negative externalities, or benefits and disbenefits, beyond the priced transport services they provide. Each component part of a transport system is designed to support transport connectivity across the network, and each may affect property values in different ways along the route, at access points like stations and interchanges, and across a city and the region.

There are two key points to note. First, externalities associated with infrastructure can be positive or negative, or a combination of both, and pricing externalities presents many challenges (eg. emissions). Second, it is difficult to value the contribution made by a component part of a transport network in isolation of the system-wide benefits (and any disbenefits).

The movement of property values is determined by the market, and movements can be upwards or downwards. There are some universally recognised factors, such as mortgage interest rates and employment / household disposable income, which directly influence demand. A 2015 AEC Group analysis of SEQ dwelling prices prepared for LGAQ is discussed in more detail below.

On the supply side, prices reflect the cost of (developing) the land, the cost/value of the building, estimated future costs and amenity. For some properties, the price will include a 'premium' that reflects proximity to the cbd (lower commuting costs, time savings) while for others it will be proximity to bushland (lower levels of urbanisation, lower pollution).

Land value changes are a function of a number of variables including amenity, local economic activity, demand resulting from population growth, and other social factors as well as transport connectivity. The price is determined in the market through matching a multitude of demand and supply side elements and market conditions unique to each transaction.

While valuation methods determine the change in a property value based on comparable sales data, valuation methods do not provide a means to separate the influence of numerous factors on both the demand and supply sides that have contributed to the movement.

Attempting to establish whether or not there was a contribution to an increase in value from a definable transport infrastructure improvement is extremely difficult. The Bureau of Infrastructure, Transport & Regional Economics (BITRE) has examined the uplift in value of private land purportedly due to public sector transport infrastructure investments and notes that there are a number of factors that make assessing land value uplift difficult.<sup>1</sup>

These factors include separating out the effects of transport infrastructure from other factors and determining the shape of the catchment of beneficiaries of the transport investment. The BITRE study also notes that the transport system is a network, and that localising any benefit from new links in the network is very difficult.

**Any proposal to levy a new property tax attributable to a (net) value benefit, based on the proposition that a quantified benefit applying to a defined area arises from a particular item of infrastructure, would require a precise, reliable and transparent modelling method.**

The LGAQ recently commissioned the AEC Group to prepare a detailed econometric study on the factors that affect dwelling prices in South East Queensland (Dec 2015). Through a highly detailed model, the study found a number of dependent variable relationships. These relationships are considered to be the most significant across a wide range of variables that influence prices in the SEQ market.

#### *Demand Modelling*

The model results estimate by what percentage real median prices change given a 1% change in the explanatory variable. Long-run modelling of the new time series resulted in the following:

For real median house prices:

- A 1% increase in the All Ordinaries Index will lead to a decrease in real median house prices of 0.37% (up from 0.25% in AEC (2010)).
- A 1% increase in the real loan rate leads to an expected decrease in real median house prices in the order of 0.025% (down from 0.07% in AEC (2010)).
- A 1% increase in unemployment leads to an expected decrease of 0.71% in real median house prices (up from 0.44% in AEC (2010)).

For real median unit prices all explanatory variables were significant:

- A 1% increase in the All Ordinaries Index leads to an expected decrease in real median unit prices of 0.19%.
- A 1% increase in the real loan rate leads to a 0.02% decrease in real median unit prices.
- A 1% increase in real gross disposable income per capita leads to a 0.8% increase in real median unit prices.
- A 1% increase in the exchange rate leads to a 0.41% increase in real median unit prices.

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<sup>1</sup> Transport Infrastructure & Land Value Uplift, Information Sheet 69, Bureau of Infrastructure, Transport & Regional Economics, 2015



- A 1% increase in unemployment rate leads to a decrease in 0.45% in real median unit prices.
- A 1% increase in the consumer price index leads to a 0.59% decrease in real median unit prices.

For real median land prices:

- A 1% increase in the All Ordinaries Index will lead to a decrease in real median land prices of 0.23%
- A 1% increase in loan rate leads to an expected decrease in real median land prices in the order of 0.022%.
- A 1% increase in unemployment leads to an expected decrease of 0.60% in real median land prices.

The AEC analysis also undertook an analysis of the supply side. It is interesting to note the finding that there is supply-side heterogeneity between property markets in terms of factors that influence supply within the same region.

“Models for SEQ and separately for Brisbane, Gold Coast, Ipswich, Moreton Bay, Logan and sunshine Coast, and a panel model for the twelve LGAs were estimated. Supply responses from change in prices measured as change in real median prices show consistent results whether the growth is in houses, units or land prices. Supply is responsive independently of how it is measured (registrations, approvals or completions). The responses are heterogeneous when studying supply responses for different sizes of houses or units or land per sqm.

The supply modelling for selected LGAs shows heterogeneous results. When the models were to obtain responses to growth in real land prices (median or per sqm), Brisbane, Moreton Bay and Sunshine Coast show a strong supply response by lot registrations. Other LGAs show no supply response. The supply responses to growth in real median houses prices varies across the sizes of houses and the LGAs. However, except for Logan, all other LGAs modelled had some supply response of lot registration and building approvals. A supply response to growth in real median unit prices is significant for the Gold Coast total lot registrations and for building approvals on the Sunshine Coast.

The supply responses from a model for all LGAs estimated as a panel shows both lot registrations and building approvals respond to changes in real median house prices. No significant responses on lot registration are found from real median or per sqm land prices.”

*Source: An Econometric Analysis of SEQ Dwelling Prices, prepared for the Local Government Association of Queensland by the AEC Group, December 2015.*

## Examining options for the application of value-capture mechanisms to sustainably fund transport infrastructure

Virtually all of the recent examples of new transport infrastructure in Queensland, and in many other States, have been funded through models that apply transparent charges and tolls. These projects provide benefits in the form of time savings and productivity gains to users through reduced journey times. Shorter journey times on better quality roads (and rail) also reduces the risk of deterioration of payload quality and vehicle operating and maintenance expenses.

The charges reflect costs and can provide a direct return on the investment. These price signals are also important to inform the choice made by users between alternative transport modes, and the ability to identify and assign a revenue stream which is a preferred model for private sector participation and / or investment.

Over recent years, following from the findings of the Harper Review, the Australian Government has been developing a heavy vehicle charging and investment model that is supported by enabling technology and under-pinned by user pays and hypothecation principles.

**The creation of new demand-driven revenue streams, particularly through tolls and other user-pays charges, represent an area of opportunity in future infrastructure charging models. The LGAQ strongly supports the continuation of the work developing a heavy vehicle charging and investment model as a key part of the solution to public infrastructure funding.**

## Considering means, including legislative and administrative actions, by which government and the private sector can best utilise value-capture funding mechanisms

For new land developments, up-front cost reflective infrastructure charges paid by the developer (and the first-round property buyer) remain the preferred method and have the benefits of transparency and consistency in service standards to communities.

**The LGAQ notes that councils should not be limited in their ability to apply infrastructure charges that reasonably seek to recover the full costs of providing infrastructure (particularly for new developments).**

In Queensland, the local government infrastructure planning and charging framework has been subject to significant reforms over the last 4-5 years that has led to the introduction of a maximum adopted (capped) charge and a raft of amendments that significantly benefits the developer, particularly those who build infrastructure as part of their development.

The cumulative impacts of Queensland legislative amendments undertaken in 2014 effectively limit councils' ability to plan and budget appropriately and pose a significant risk to councils' financial sustainability. As a result, Queensland councils currently under-recover infrastructure costs for new developments due to restrictions on charges imposed by the State government, creating a burden on existing ratepayers.

The funding gap for trunk infrastructure across Queensland's high growth local governments is estimated to be \$10.3b (\$481.9m annually) under the current maximum capped charge. The current capped maximum adopted charges only recovers an estimated 69.9% of the actual infrastructure costs (*source: AECgroup / PIE Solutions report, August 2013*).



## Considering the appropriate roles of each of the three levels of government in establishing sustainable value-capture funding mechanisms for planning and infrastructure construction

**The LGAQ appreciates that there is a shortfall in funding for public infrastructure and supports approaches that provide an equitable infrastructure development and funding framework, where these approaches do not shift the cost burden onto councils and their communities, including burdens and costs associated with the on-going administration and obligations for schemes.**

**The rating of property values provides the primary own-source revenue raising method available to local government across Australia, and council rating effectively applies the principle of value capture to property values to generate revenue for the local government sector.**

Local government rating captures the relative shift in values arising from infrastructure investment according to a long-established formula. Councils set rates in the dollar of property valuation to support a budget outcome. Where property valuations increase, the rate in the dollar will change to achieve the budget requirements.

Minimum rates and differential rates are also applied to achieve equity objectives across increasing (or reducing) land valuations for the local government area. While properties in the same local government differential rate category that experience valuation increases above the average for that category will face an increased relative rate burden, overall rate revenue from the category will not usually increase at the same rate as the overall valuation increase.

This contrasts with State based land tax, where the rate in the dollar is maintained meaning that overall revenue increases (or decreases) relative to the valuation change.

Queensland local government currently raises around \$3 billion annually from property rates (2013/14). The Queensland State Government raises around \$1 billion through State land tax. However, State land tax is not paid by owner-occupiers due to an exemption for the principle place of residence. So at present, while State land tax is eroding the tax base of local government at an increasing rate, the exemption to date of owner-occupier households has effectively limited the impact on the revenue base of local government.

Local governments also have the ability to raise general and 'benefitted area' special levies and there are examples where this is being applied to support funding for public infrastructure. Special levies for discrete beneficiaries are only used in limited instances due to the complexities in developing and applying a cost apportionment methodology over discrete beneficiaries / users, the reliability of infrastructure cost recovery (dependent on business activity in the defined area), and the potential for dissatisfaction and political issues that can be associated with a localised levy. There have been a number of cases where local levies have been discontinued by councils following the withdrawal of support by the local businesses who were subject to the levy.

Currently land value increases that may be, in part, attributable to nearby public and private infrastructure, are captured on the sale of a property by the Australian Government through CGT and GST on the services component (% of the transaction value), and by the State Government through land tax and stamp duty on the sale and insurance contracts.

There have been recent media reports of modelling by the Australian Treasury on the ‘forgone’ revenue from the CGT exemption on principle place of residence properties. It is not clear from the media reports if the study presented the net figure that would result if the costs of holding and operating the property could be claimed for ‘principle place of residence’ properties as eligible income deductions, as is currently the case for investment properties and businesses.

It is also relevant to note that no income is directly generated from owner-occupied dwellings, beyond the personal incomes of occupants which are already taxed, and any additional taxes will reduce household disposable income, demand and economic activity (*ceteris paribus*).

Generally locations that enjoy higher levels of / newer infrastructure, and that in turn support increased economic activity, provide an environment that generates higher business and personal incomes. These higher incomes and higher value / volume transactions are taxed at higher marginal rates and generate higher levels of income tax, GST revenue and payroll tax.

Any move to value capture through the use of land tax must be considered within the context of the current local government rating arrangements, existing taxation arrangements, and the vertical fiscal imbalance that is a feature of Australia’s inter-governmental financial arrangements across the three spheres of government.

**Taxation Revenue by Government Sector 2013/14**

Level of Government	Taxation Revenue \$ billion	Share of total revenue - all levels of Govt
Australian	\$351.4	82%
State	\$66.2	15%
Local	\$14.7	3%
Total	\$428.6	100%

Source: ABS Cat. 5512.0

It is important to recognise that broad economic benefits gained through provision of transport infrastructure is currently captured through personal and business income taxation, payroll tax and other taxes and charges collected through the taxation system. Any proposed ‘value-capture’ funding mechanisms must therefore be considered as part of the overall taxation reform agenda.

Ultimately, any increase in the cost of holding real property (land and/or buildings) will be reflected in market prices. It will also be reflected in higher rents and costs of living.

As the Committee would be aware, the tax system that introduced the GST originally included the removal of a range of state taxes (potential removal of land tax, stamp duty and payroll tax).

**The LGAQ does not support a new property tax premised on ‘value capture’ that is likely to reduce household disposable income and ‘crowd out’ local governments’ sole, own-source revenue base. There is also a likelihood that the introduction of such a tax, which would not be levied on business activity or an income stream, would have a negative impact on economic activity in local economies.**

## Examining any international experiences of the delivery of high speed rail projects by value-capture methods and the impact of high speed rail on city and regional development

The LGAQ notes the comments made in other parts of this submission in relation to the proposal to tax property along a corridor, including during the period of corridor (property) acquisition. Obviously the very act of acquiring properties, the price paid, contract terms etc., will affect property values in a region. Market concerns over compulsory acquisition and later corridor expansion are likely to have a negative influence on property prices.

As noted previously, infrastructure that contributes to general 'transport connectivity' will create positive and negative externalities, or benefits and disbenefits, beyond the priced transport services they provide. Each component part of a transport system is designed to support transport connectivity across the network, and each may affect property values in different ways along the route, at access points like stations and interchanges, and across a city and the region.

The economic benefits of high-speed rail can be captured through transport charges for travel and freight, increased business and personal income taxation from benefitting users, and GST taxation on increased business transactions and the transport service.

London Cross-Rail includes funding from a Business Rate Supplement (BRS) and a Community Infrastructure Levy (CIL). The BRS was introduced as 2p in pound on non-domestic properties with a rateable value of over £55,000. The CIL is a £35 per sqm charge on the net additional increase in floor space in a development within London Borough of Tower Hamlets. There were also a number of station upgrades where private sector funding is involved usually in return for increased development rights.

The use of the CIL in the UK means that there has been a shift from the direct taxation of betterment value to contributions to the cost of infrastructure provision similar to infrastructure charges used in Australia.

Papers to the 2011 Australasian Transport Research Forum include discussions of a number of value capture mechanisms for new rail infrastructure:

- Benefit Assessment Districts
- Tax Increment Financing
- TOD or joint development
- Developer charges or Development impact fees
- Bond finance linked to specific repayment streams.

Some good international examples are provided in the papers presented at the 2011 Australasian Transport Research Forum.<sup>2</sup> Notably, the application of value capture overseas has typically involved upfront infrastructure charges or the issuing of bonds to raise funds for infrastructure projects.

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<sup>2</sup> Innovative Finance for New Rail Infrastructure, Miller & Hale, University of Queensland, 2011

## Examining methods of implementing value-capture in both greenfield and brownfield developments

The most transparent and cost-reflective method for capturing value for a greenfields site is through up-front infrastructure charges. This provides a clear price signal on the full costs of the developed land and is paid by the beneficiaries: the developer, who makes a profit from the development and the first-round purchaser, who purchases the property with those benefits.

Brownfield developments can be subject to special levies by local government if there is an identified need, such as a suburban community improvement program that upgrades a local shopping village's footpaths, or a levy on businesses that have access to a high-traffic pedestrian mall for maintenance and cleaning services, or a new industrial estate with a purpose-built road configuration. In Queensland, local government can levy infrastructure charges which cover water supply and reticulation, sewage treatment, local roads, stormwater management and parks.

Councils do have other mechanisms available to fund transport infrastructure. For example, the Gold Coast Light Rail is part funded by a City Transport Improvement Charge set by Gold Coast City Council. This is a separate charge under the Local Government Act 2009 (s. 92) and must be levied on all properties (currently \$117 per rateable property).

Councils can also levy a special rate or charge under the *Local Government Act* where the land specially benefits from a service, facility or activity. This allows a targeted approach where land with a special benefit can be identified and, to some extent, has a potential value capture mechanism when set as a special rate (resulting in potentially greater revenue if land values increase differentially in the benefitted area).

**The State has previously imposed State-charges, as local-function charges (LFCs), which increased costs on development and complicated the local government planning, approval and charging framework. In response to the Final Report of the Infrastructure Charges Taskforce (March 2011), the State Government's formal response (April 2011) recognised the financial pressures LFCs were placing on development proposals and directed amendments be made to not collect LFCs for the duration of the standard charging regime (which was subsequently reviewed and implemented permanently).**

## Examining ways to capture future value opportunity when reserving transport corridors

While corridors may be reserved, there is no guarantee that major infrastructure projects will be fully funded and delivered according to a proposed timetable and to the full proposed scope. Projects may be discontinued for a number of reasons, including a change in priorities, unrealised growth / demand, or a change in other circumstances.

The decision to discontinue a project can be followed by a decision to sell off corridors and sites. There are many examples of this happening over recent years for proposed significant projects, including for transport and water infrastructure. In such cases local communities and economies can be permanently disrupted leading to job losses and the relocation of local populations.

For example, the Caloundra and Maroochydore Corridor Options Study (CAMCOS) was undertaken in 1999 with a route announced in 2001. In light of new developments (eg Caloundra South), changes to the route have been proposed. While the project is shown in the SEQ Infrastructure Plan 2031, there is no commitment to funding or a proposed completion date. Nonetheless, the government has been actively acquiring land for the corridor.

The Moreton Bay Rail Link project corridor was reserved in the 1980s, but its construction became a political issue and there was widespread uncertainty in the community as to whether it would ever be constructed. It could be argued that for this considerable period of time, the corridor may have had a negative influence on property prices as there was the possibility that it could be re-sold thereby affecting the supply of available land in the area. In 2010, funding was finally committed and the new line is due to open this year.

These examples suggest that if property value uplift does occur, and in outer urban areas there is no guarantee that it will, it may only be after funds are committed and the project is constructed. Even then, new transport infrastructure such as a rail link might be considered necessary to address normal growth in the community, such as peak commuter traffic road congestion, and have a negligible influence on property values.

Attempting to capture any change in property values that might be attributable to the reservation of a corridor for a future project would potentially discover negative impacts on values during the period of compulsory property acquisition for the corridor until such time as the actual benefits of a completed project are available to users.

There is also the matter of ascribing benefit to an entire corridor. While a benefit may be enjoyed at sites where there is actual connectivity, it is not clear that the same benefit will be enjoyed along the entire length of the corridor. Indeed there are likely to be negative externalities associated with properties adjoining a corridor in terms of noise, pollution and reduced amenity from the visibility of structures.

## Contact and further information

The LGAQ is pleased to provide this submission and any further information at the Committee's convenience. Representatives are also available to participate in any discussion and working groups on 'value capture' proposals being considered by the Australian Government.

Given local governments' primary revenue mechanism - rating - is based on property values, it is hoped that appropriate consultation with local government will occur as a pre-requisite to any consideration of any new property tax.

If you would like to discuss any of the comments please contact Greg Hoffman PSM, General Manager – Advocacy, LGAQ on 3000 2222 or [greg\\_hoffman@lgaq.asn.au](mailto:greg_hoffman@lgaq.asn.au)