



## Australian Government

### Australian Government response to the House of Representatives Standing Committee on Infrastructure, Transport and Cities:

#### Harnessing Value, Delivering Infrastructure

#### *Inquiry into the role of transport connectivity on stimulating development and economic activity*

March 2018

Report of the House of Representatives  
Standing Committee on Infrastructure, Transport and Cities Report

The Australian Government welcomes the Committee's report and its recommendations on the use of value capture measures to assist delivery of critical infrastructure and the application of technology to make our transport systems more efficient.

The Government notes there has been a range of new initiatives announced that directly relate to recommendations made in the Committee's Final report, including:

- Release of the *Principles for Innovative Financing* in February 2016;
- Release of the *Smart Cities Plan* in April 2016;
- The establishment of the Infrastructure and Project Financing Agency (previously Infrastructure Financing Unit);
- The Australian Government response to Infrastructure Australia's *Australian Infrastructure Plan* in November 2016, announcing:
  - Urban Rail Plans;
  - a Freight and Supply Chain Strategy; and
  - achieving better and more timely access to critical infrastructure data.
- Development of an infrastructure Data Collection and Dissemination Plan (Terms of Reference released in April 2017 and Consultation Draft of the Data Plan released on 15 September 2017);
- Release of the Australian Government's value capture discussion paper, *Using value capture to help deliver major land transport infrastructure* in November 2016.
- Announcement in the 2017-18 Federal Budget that the Government will investigate proposals for *Faster Speed Rail Connecting Capital Cities and Orbital Regional Centres*, and
- The release of the Faster Rail prospectus on 20 September 2017 and criteria for the National Rail Program on 13 December 2017.

#### *The Commonwealth as an informed investor in major infrastructure*

The Government is a substantial investor in new and upgraded land transport infrastructure, with over \$75 billion in funding and financing committed over 10 years from 2017-18. To support this record level of investment, the Government has instituted a range of policies to deliver greater funding innovation and better value for money for Commonwealth-supported projects. These reforms are helping the Government be a more informed investor, and include:

- taking a greater role in project planning and development, by building on the Government's existing work to construct a robust, long-term pipeline of nationally significant infrastructure priorities through the funding of business case development for high priority projects;
- increasing the use of innovative funding and financing solutions for major land transport infrastructure, such as concessional loans and equity (where appropriate), to encourage greater private sector involvement in infrastructure development;
- exploring how alternative funding streams, through measures such as value capture and user charging, can assist with funding the critical infrastructure required to keep

freight moving to export ports and markets and to better connect people in our urban and regional areas; and

- recognising the need to maximise the use of technology to make our transport systems more efficient and reduce the costs of maintaining and operating our road and rail networks.

These commitments are articulated in the Government's *Principles for Innovative Financing*, released in February 2016.

The Infrastructure and Project Financing Agency (IPFA), which the Government established on 1 July 2017, has further strengthened the Government's focus on the use of innovative funding and financing measures in the delivery of infrastructure. Announced in the Smart Cities Plan, IPFA will draw on private sector expertise and current capabilities across key Commonwealth agencies to assess innovative funding, financing and delivery solutions for landmark projects, including Public Private Partnerships (PPPs) and value capture.

*National leadership in value capture will support better infrastructure outcomes*

Major urban environments in Australia face both growing demand for mass transport and high construction costs. Integrating infrastructure and planning decisions across all three levels of government in Australia is essential to meeting the future growth challenges of our cities. However, value capture is not a panacea to addressing funding shortfalls for major projects, nor is it necessarily applicable to all projects.

The Government has undertaken significant work to improve the approach to value capture and make the processes more systematic, more predictable and more transparent for governments, industry and the community. It will continue to work with states and territories in the development of business cases for major projects to create opportunities for increased private sector financing to support public infrastructure investment. Using well-designed value capture mechanisms, which involve those who benefit directly sharing in the cost of infrastructure, can help place greater pressure on governments, financiers and delivery agencies to select projects with clear benefits to the public.

The release of the Government's value capture discussion paper, "*Using value capture to help deliver major land transport infrastructure*" in November 2016 was an important step in the value capture discussion. Following closure of the submission period, the Government has undertaken further consultation through roundtable discussions with key stakeholders from industry, academia, local governments and infrastructure advisory bodies to discuss key areas of importance to progress the Government's value capture policy.

The discussions highlighted a number of issues on which the Government has focussed in development of its policy framework, including:

- i. helping provide greater transparency of beneficiaries' willingness and capacity to pay:
  - o how to establish clear, fair and transparent links between the benefits of the new infrastructure and the charges imposed on beneficiaries; and

- ii. setting out a clearer role for the Australian Government, state and territory jurisdictions, and industry, and the most appropriate allocation of risks and benefits.

The Committee's Inquiry into the role of transport connectivity on stimulating development and economic activity was also an important step in this policy development process, with the submissions to the Inquiry and the Committee's Final Report providing important input.

The Government is now implementing its value capture policy through its engagement with state and territory governments in the development of major transport infrastructure projects.

## **Response to recommendations**

### **Recommendation 1**

The Committee recommends that the Australian Government examine ways to promote a better balance of settlement through decentralisation to the regions linked by faster transport connectivity and particularly through high-speed rail.

#### **The Australian Government notes the recommendation.**

The Australian Government recognises the important role that rail can play in connecting capital cities and regional centres. These connections provide a means to rejuvenate regional centres while mitigating population growth pressures in our major cities including congestion, housing affordability, job accessibility and liveability.

The Government is addressing the needs of Australia's major and regional cities through its *Smart Cities Plan*, and is using City Deals to identify priorities, including transport infrastructure, as the nexus for partnerships between governments, business and communities. In addition, the Government is working with state governments to develop urban rail plans for Australia's five largest cities and surrounding regions.

The National Rail Program, announced as part of the 2017-18 Budget, has been established to improve rail connections in cities, and between cities and their surrounding regional areas. The National Rail Program criteria were released on 13 December 2017.

As announced in the 2017-18 Federal Budget, the Government is also providing up to \$20 million to support the development of business cases for faster rail between major capital cities and orbital regional centres. A Faster Rail prospectus was released on 20 September 2017 seeking proposals from governments and the private sector. The Australian Government will announce which proposals have been successful to progress to Stage 3, business case development in early 2018.

In relation to High Speed Rail, the 2013 HSR Phase 2 Report notes that regional development from HSR is not guaranteed and would require that HSR be implemented in combination with:

- supportive and aligned regional development policies by governments;
- metropolitan and regional planning policies for regional centres with HSR stations; and
- supportive local business investment and tourism market patterns.

## **Recommendation 2**

The Committee recommends that the Australian Government, in conjunction with state and territory governments, develop a framework for the specification and evaluation of proposals for the development of a high speed rail network in eastern Australia, with an emphasis on strategic decentralisation, regional economic development, value creation and value capture to determine the viability of private sector proposals, routes, schedule for development and funding for the project. The Committee further recommends that it is time to progress the planning work that must be done by all levels of government to facilitate high-speed rail. The Committee recommends that state and federal governments consider appropriate coordination arrangements, including if and when a planning authority is required to progress high-speed rail.

### **The Australian Government notes the recommendation.**

The Australian Government notes that the High Speed Rail Study Phase 2 Report identified a cost of \$114 billion (in 2012 dollars) to construct a High Speed Rail network between Melbourne, Canberra, Sydney and Brisbane.

The Government does not believe there is a need to establish a dedicated authority for High Speed Rail at this stage. The Department of Infrastructure, Regional Development and Cities is managing policy issues relating to faster and high-speed rail initiatives, including engagement with relevant agencies, jurisdictions, industry representatives and peak bodies, and monitoring of international developments and projects. The work has included discussions about the corridor identified in the 2013 High Speed Rail Phase 2 Report and its potential protection through State and ACT planning mechanisms. This work is part of broader efforts by the Australian Government to promote the importance of transport corridor and precinct protection.

Also, refer to the response to Recommendation 1 regarding the 2017-18 Federal Budget announcement of the Faster Rail initiative. Any planning and development works to be undertaken under this initiative will involve close consultation with all levels of government.

### **Recommendation 3**

The Committee recommends that the Australian Government investigate options for private funding of high-speed rail through value capture.

#### **The Australian Government notes the recommendation.**

The Government has publicly articulated its support for the use of private funding and financing solutions to support the delivery of major land transport infrastructure where appropriate, including through its *Principles for Innovative Financing*.

The Australian Government requires that state and territory agencies consider where innovative financing arrangements may be applied to assist in the delivery of major projects and / or if alternative funding sources, such as value capture, may be available for new projects when developing proposals seeking Commonwealth funding support. This has allowed the Government to consider projects based on their merits, while also ensuring that projects are designed to maximise value for money for investment and fully consider how an appropriate level of the value created from new infrastructure can be captured.

For example, as noted in response to Recommendation 1, the Government has committed up to \$20 million to support the development of business cases for faster rail between major capital cities and orbital regional centres and released a prospectus seeking proposals from governments and the private sector. Proposals are expected to include consideration of value capture opportunities and private sector financing to assist in the delivery of faster rail, amongst other issues.

The Government also notes that, like other major economic public infrastructure projects, each HSR proposal and project is likely to be unique to its national circumstances, such as its impact on or by city population density, network distance, patronage rates and competing transport modes. Consistent with Australian Government policy, any funding and financing structures would be considered on the individual merits of each proposal, following a positive assessment of the proposal's strategic and economic merits.

For example, the HSR Study Phase 2 Report estimated that the entire network between Melbourne and Brisbane would cost \$114 billion (in 2012 dollars) to construct, and that governments would be required to fund the majority of the upfront capital cost. The report stated that this is because the potential to attract private finance is limited, particularly as the HSR program and the majority of its individual stages would produce only a small positive financial return on investment.

The HSR Study Phase 2 Report included consideration of value capture in the Australian context through a case study of the Central Station in Sydney. It estimated that, in conjunction with comprehensive urban development programs around Central Station, value capture might generate additional funds of between \$24.4 billion and \$32.6 billion in net cash flows over a 30-year period.



Therefore, the Phase 2 Report concluded that value capture financing has the potential to contribute to the commercial financing gap for HSR, but that significant government investment would still be required.



**Recommendation 4**

The Committee recommends that the Australian Government, in conjunction with state and territory governments, monitor and, when appropriate, assess the feasibility of Hyperloop in Australia as a high-speed mass transit system.

**The Australian Government notes this recommendation.**

The Australian Government monitors all major technological developments in transport infrastructure across the world, and considers their potential application to Australia through inter-jurisdictional engagement and cooperation arrangements.

The Government notes that Hyperloop is at a very early concept development and testing phase.

### **Recommendation 5**

The Committee recommends that the Australian Government, in conjunction with state and territory governments, explore the potential of novel and alternative technology to provide an innovative and flexible transport system to urban Australia.

#### **The Australian Government notes this recommendation.**

As noted in response to Recommendation 4, the Australian Government monitors technological developments in transport infrastructure across the world, and considers their potential application to Australia through inter-jurisdictional engagement and cooperation arrangements. The Government also considers opportunities for technology to improve the outcomes or cost profile of all proposals for new land transport infrastructure solutions as part of its normal assessment processes. However, the Government takes a technology-neutral position with a focus on delivering the most efficient solutions to identified priority deficiencies and best value for money, as opposed to favouring new or novel technologies.

To help harness more information from new and emerging technologies, the Bureau of Infrastructure, Transport and Regional Economics (BITRE) is leading work on behalf of the Commonwealth to develop a *National Infrastructure Data Collection and Dissemination Plan* (Data Plan). This work will coordinate data collection and analysis, in order to provide more timely, comprehensive and integrated information about transport infrastructure to support investment decisions and asset management and monitoring. On 15 September 2017, BITRE released a Consultation Draft of the Data Plan to assist individuals and organisations to contribute to the development of the Final Data Plan, due in early 2018.

The Government is also committed to working with state and territory governments through the Council of Australian Governments to identify new transport technology solutions. In August 2016, the Transport and Infrastructure Council, consisting of all Australian government Ministers responsible for transport and infrastructure matters, released the *National Policy Framework for Land Transport Technology*. This Action Plan outlines major areas of investigation in this policy area for 2016-2019. For example, the Action Plan provides a road map for developing regulations to support future uptake of automated and connected road vehicles.

### **Recommendation 6**

The Committee recommends that the Australian Government continue to recognise the importance of road transport in Australia and investigate new technologies which can make road use safer, cheaper and more efficient, including development of autonomous vehicles, low-emission vehicles, and smart road infrastructure.

### **The Australian Government supports this recommendation.**

Technology in the land transport sector is undergoing a period of rapid change. Key trends include:

- Automated road vehicles — the ongoing development of automated vehicles has the potential to transform transport models.
- Connectivity — the next generation of vehicles will be able to communicate wirelessly with each other and with roadside infrastructure for a range of safety and efficiency applications.
- Big Data — increasing automation and connectivity increases availability of data that can optimise the operation, maintenance and planning of infrastructure assets and networks.
- New business models — ride-sharing, car-sharing and the emerging Mobility-as-a-Service model are providing new mobility options for consumers.
- Zero and low emission vehicles — electric vehicles are falling in cost and hydrogen fuel cell vehicles are becoming commercially available.

These changes bring a range of policy, regulatory and infrastructure challenges.

In October 2015, the Australian Government established a special Ministerial Forum to coordinate a whole-of-Government approach to addressing vehicle emissions, including testing and reporting arrangements and considering new standards. In late 2016, the Government released a draft Regulatory Impact Statements on the costs and benefits of proposed standards. The Government has not reached a position on fuel efficiency, noxious emissions and fuel quality standards, including how or when these measures may be implemented.

In addition, as mentioned previously, the Government is working with state and territory colleagues through the *National Policy Framework for Land Transport Technology* on a range of projects to meet these challenges as they arise over time. This includes facilitating industry trials of technology and infrastructure, and providing a nationally consistent regulatory environment and (potentially) the infrastructure that these technologies will need.

The Government is also active in a range of international forums, such as work to ensure the United Nations vehicle regulations evolve and respond appropriately to automated technology. These technologies and market models have the potential to improve urban congestion, and the cost, sustainability and accessibility of transport services.

For example, automated ride-sharing services may encourage the use of public transport through low-cost, on-demand first and last mile connections, reducing incentives for private vehicle commuting. This would also reduce the need for inner city parking spaces and could create surplus land for higher value urban redevelopment and community use.

The realisation of social and structural benefits inherent in these emerging trends will require proactive management through changes in land use planning and in the way that infrastructure and transport services are planned and delivered across all levels of government. The Government will continue to work towards nationally consistent approaches to these challenges in order to address persistent challenges in the transport sector.

### **Recommendation 7**

The Committee recommends that the Australian Government recognise the potential contribution towards the costs of new transport infrastructure of the capture of increased property values and associated taxes that directly result from the new connectivity.

#### **The Australian Government supports this recommendation in principle.**

There continues to be a strong demand for investment in new transport infrastructure projects, while at the same time there is a clear limit to what can be directly funded by governments. Value capture, like user charging contributions, represents an important funding source, which can be used to help offset part of the upfront cost of the project to governments. In some cases, this may mean the difference between the project proceeding or not proceeding.

The Australian Government received over 60 submissions to its *Using value capture to help deliver major land transport infrastructure* discussion paper. Submissions were received from private citizens, industry representatives and academics, and state and local governments. Additional advice was also collected through stakeholder roundtables and engagement with industry and professional events. It is clear that there was a strong public interest in the Government's further involvement in this policy area.

The Government recognises the potential for well designed, transparent value capture mechanisms to assist in the planning and delivery of critical new infrastructure, particularly in urban areas. It also recognises that greater consideration of value capture by governments will help bring forward discussions on how to plan and design projects and surrounding areas in order to maximise value created by new infrastructure project for the greatest number of beneficiaries.

The Government is cognisant that an increase in value, which is typically experienced by property owners and businesses located along the route of new or upgraded infrastructure, could be partly captured to assist in the costs of delivering that infrastructure. Having those that directly benefit from the provision of new transport infrastructure contribute towards some of the cost can be fairer than having all taxpayers, many who receive no direct benefit, meet the full cost. Noting that, in practice, most value capture mechanisms are the responsibility of state, territory and local governments to implement. These levels of Government are directly responsible for owning most public infrastructure assets, zoning land and issuing rates and other property related taxation.

Establishing how the greatest value can be generated for the highest number of beneficiaries can assist in ensuring that governments achieve the optimum value for money for their infrastructure investment. Adopting value capture models should also support the better integration of planning for new transport infrastructure and broader land-use planning. Both total amenity improvements and value capture opportunities can be maximised where projects are well integrated into wider decisions about land use, including where transport upgrades are part of wider region and citywide improvements.

The Government acknowledges that any value capture regime must also ensure that beneficiaries retain a fair proportion of the benefits to encourage their own private sector investments; investments funded through value capture are linked to beneficiaries' clearly identified willingness to pay; and that the timing and size of charges on beneficiaries align with the beneficiaries' capacity to pay.

### **Recommendation 8**

The Committee recommends that the Australian Government, in conjunction with state and territory governments, develop a system for coordinating the planning and funding of major infrastructure projects across all levels of government, including the quarantining and hypothecation of funds to projects, the allocation of funds to projects being contingent upon compliance with prescribed planning and funding requirements.

### **The Australian Government notes this recommendation.**

The Australian Government is committed to optimising value for money for its infrastructure investment, including better prioritisation of major projects across Australia.

The Government has established Infrastructure Australia (IA) as an independent advisory body, including commissioning IA to provide regularly updated national audits of major infrastructure and a rolling 15-year Infrastructure Plan. This work is further supported by IA's maintenance of its Infrastructure Priority List. IA's role is helping all levels of Government to better identify and coordinate their major infrastructure priorities at a national level.

The Government is also committed to improving the use of innovative funding mechanisms, including road user charging and value capture. For example, through the Council of Australian Governments' Transport and Infrastructure Council, the Australian, state and territory governments are undertaking reforms to improve the way that heavy vehicle charges are managed. This includes reforms to better link the charges paid by heavy vehicle operators to access roads to the level of service they receive, including better linking the charges and investment decisions. This work is part of a long-term land transport market reform process.

The *Principles for Innovative Financing*, released in February 2016, articulated the Government's commitment to innovative funding and financing for land transport infrastructure and set out the Government's expectations on how projects are assessed and selected, including funding and financing measures.

The Government notes that a number of jurisdictions have developed comprehensive value capture frameworks, particularly related to developer contributions towards supporting infrastructure for new land releases or development of re-zoned land.

The Government considers it has a critical role to assist jurisdictions improve the approach to value capture to make the processes more systematic, more predictable and more transparent for governments, industry and the community, including looking at ways to better integrate land use planning and land transport infrastructure investment.

For example, the Government has established City Deals targeting key urban centres to assist in better coordinating land use planning, infrastructure investment and funding sources to meet national and local objectives.



However, the Government also recognises that all levels of government are operating in an environment of budget constraint and there are competing pressures for the allocation of available revenue, including health, education and social services. The hypothecation of revenue to projects does not provide additional funding, nor does it change the split between beneficiaries of a project and taxpayers. Instead, hypothecation can distort budgetary processes by restricting funding flexibility. Overall, the Government's current centralised budget management, robust assessment and project appraisal processes for projects, and improved transparency of government spending and borrowing already allows for effective and efficient management of Commonwealth funding and spending for infrastructure.

**Recommendation 9**

The Committee recommends that the Australian Government, in conjunction with state and territory governments, examine whether efficiencies can be achieved through the coordinated procurement of vehicles and rolling stock for transport infrastructure, particularly in relation to new bus fleets. This coordinated procurement should ensure, when practicable, that Australian materials and products, skills and services are maximised in project delivery.

**The Australian Government notes this recommendation is a matter for state, territory and local governments.**

The Australian Government supports the application of the most appropriate and efficient procurement processes by state, territory, and local governments, including improved coordination across jurisdictions to improve purchasing power and economies of scale.

### **Recommendation 10**

The Committee recommends that the Australian Government seek a memorandum of understanding to establish value capture mechanisms for individual transport infrastructure projects as a condition of federal funding which applies to property value uplift that results from a combination of rezoning and new transport infrastructure. In doing so, the Government should:

- define specific geographic areas nearby to new transport infrastructure where this mechanism will apply to properties;
- set a threshold of value uplift for property which will incur the new value capture mechanism;
- establish an offset mechanism, whereby commercial properties whose value uplift is partially captured by this mechanism can be offset against their capital gains tax liability; and
- hypothecate any revenue that results from this mechanism into a dedicated infrastructure fund.

### **The Australian Government notes this recommendation.**

As set out in the *Principles for Innovative Financing*, the Australian Government requires that all proposals seeking Australian Government funding support have (among other requirements):

- *considered what proportion of the project can be funded by the beneficiaries of the infrastructure through targeted contributions and what proportion of the project should be funded by the broader community; and that*
- *the funding shares from the Commonwealth and the state and territory governments should be determined after taking into account contributions made by the beneficiaries.*

The Government considers value creation and value capture opportunities should be considered case by case, based on the characteristics of the project, including location, existing infrastructure and the nature of potential beneficiaries. Any contribution from beneficiaries should be fair and transparent and should have a clear link with the benefits of the infrastructure being provided.

The Government does not support the establishment of a dedicated infrastructure fund. As noted in the response to Recommendation 8, hypothecation can distort budgetary processes by restricting funding flexibility.

### **Recommendation 11**

The Committee recommends that the Department of Infrastructure and Regional Development, in conjunction with state and territory governments, develop a toolkit of value capture mechanisms that can be applied by all levels of government, taking into account the different conditions in the various states, territories and local council areas. The use of the mechanisms in the toolkit should be a requirement in cases where the federal government is to contribute funding towards major infrastructure projects that will generate an uplift in property values or increased economic activity.

### **The Australian Government notes this recommendation.**

Following release of the Australia Government's value capture discussion paper in November 2016, the Hon Paul Fletcher MP, Minister for Urban Infrastructure, held a number of stakeholder roundtables in April 2017 to inform development of the Government's value capture policy.

The discussion paper and responses clearly articulated the need for the Australian Government to provide a leadership role and work with the states and territories to ensure value is appropriately measured, captured and linked to the right beneficiary. The Government has responded to these calls through the establishment of IPFA to examine alternative funding and financing mechanisms, including value capture. The Government is also taking a greater role in the development of project business cases to ensure value capture is considered as part of the planning process.

The Government recognises that the key to any good value capture strategy is not just ensuring that value capture is used in a fair, consistent manner that helps deliver good value for money for the Australian community, but that any mechanisms used clearly demonstrate the link between the contributions to a project sought from business and the community, and the additional benefits generated by the project.

It should be noted that since the release of the Australian Government's discussion paper, a number of State governments have released frameworks to guide their application of value capture.

## **Recommendation 12**

The Committee supports the rollout by the Australian Government of City Deal-type agreements with the various state, territory and local governments. These agreements should:

- involve federal, state and territory, local governments, local communities, landholders and developers and other community stakeholders in the prioritisation and negotiation processes;
- consider the building of new infrastructure from a state-wide or regional master plan perspective, rather than on a project-by-project basis;
- establish priorities for infrastructure projects based, in part, on the uplift in value that will result;
- drawing on the proposed value capture toolkit, define the value capture mechanisms that will be applied, and determine the amount of this uplift that can be captured by the three tiers of government involved in the agreement;
- in the negotiation process, the different levels of government should be prepared to consider forgoing certain types of revenue in order for the greatest possible level of value capture to be achieved overall;
- clearly define the amount of funding that will be provided by the governments and councils that are party to the deal, as well as the funding that is expected to come from the application of value capture mechanisms;
- establish metrics for performance, using gross value added as the lead metric; and
- culminate in a written agreement that clearly defines the roles of each tier of government involved in the agreement.

### **The Australian Government supports this recommendation in part.**

The Australian Government has City Deals up and running in Townsville and Launceston, with Western Sydney, Hobart and Geelong currently being negotiated. The Government has committed to City Deals for all capitals, where state, territory and local governments are willing collaborators.

City Deals are a collaborative process, developed between the three levels of government in consultation with businesses and local communities. As part of an integrated plan for a city's future, City Deals include consideration of the infrastructure and investment needs of a city, along with housing, jobs and skills, liveability and sustainability, innovation and digital opportunities, governance, planning and regulation. The Government has launched a National Cities Performance Framework containing economic and social indicators to help governments monitor the progress of City Deals and inform the public about issues and trends facing our cities

By bringing together all levels of government, the private sector and the community, City Deals provide a coordinated investment plan for Australia's cities that can maximise the benefits from mechanisms such as value capture. However, the Government does not agree that infrastructure projects should be prioritised by the potential for value uplift. All public infrastructure projects should, regardless of their funding source, address an identified

deficiency, be proven to be the best solution to that problem and demonstrate a positive ratio of benefits to costs.

### **Recommendation 13**

The Committee recommends that the Australian Government develop value capture models that can be applied to major infrastructure projects (such as high speed rail) and seek to negotiate with the states and territories a consistent and coordinated approach to the application of value capture for such projects. In so doing, the Australian Government should be prepared to act as the single point for the collection of value capture revenues.

#### **The Australian Government notes this recommendation.**

The Australian Government is committed to working with state, territory and local governments to identify nationally significant projects early and, where appropriate, exploring the potential for innovative funding and financing mechanisms, including value capture

The establishment of IPFA further strengthens the Government's commitment to being a more informed investor, rather than a passive grant provider to states, to ensure the Government's broader policy objectives are being achieved. IPFA is helping to better inform the Government's infrastructure investment decisions and enhancing its capabilities to manage project and financial risks in order to maximise the benefits of its infrastructure investment.

However, the Government does not support an approach that would significantly alter the current taxation and revenue structures that exist between Federal, state and local governments. Meaningful tax reform is a long-term process that encompasses a range of issues beyond infrastructure funding and financing. To ensure any future changes do not introduce any unnecessary taxation burdens, arrangements should be established so the appropriate level of government is applying value capture measures in a fair, transparent and efficient manner, and that multiple mechanisms are not unfairly being levied against the same beneficiaries.

The design of the project funding and financing structure should reflect the most efficient and effective delivery model and which provides the best value for investment for taxpayers. This will require considering the merits of value capture models on a case-by-case basis.