

# Infrastructure Contributions Review Submission

## Introduction

Thank you for the opportunity to provide comment on the review of infrastructure contributions in NSW.

I am a practising Strategic Planner in local government in NSW and believe that I have identified a few ways in which the infrastructure contributions system can be better integrated with the planning system.

## Planning for Infrastructure

Infrastructure in NSW is currently identified, funded, delivered and monitored in a bewildering number of different ways. While infrastructure contributions plans are an integral part of funding and planning for infrastructure, they are by no means the only method of planning or funding infrastructure in NSW (Table 1). This lack of a single coordinated approach to planning and funding infrastructure often leads inefficient delivery of infrastructure and the failure to integrate infrastructure and land use planning. It is therefore considered that a more holistic view of the infrastructure planning system is required if the NSW Productivity Commission is to ensure that the infrastructure contributions plans are in a position to deliver the public infrastructure required to support development in NSW.

**Table 1:** Different ways in which infrastructure can be identified, funded, delivered and monitored from a local government perspective.

How is infrastructure identified?	How is infrastructure funded?	How is Infrastructure delivered?	How is infrastructure monitored?
Master/precinct plans	Infrastructure contributions	Capital works programmes	Local asset management plans
Through the process of developing a contributions plan	Grants (State)	Works in kind	Infrastructure contributions plan monitoring
Opportunistically, to take advantage of grant funding	Grants (Commonwealth)	Planning Agreements	Operational plans
Through the process of developing operational plans or capital works programs	General revenue (including rates and charges)	By other Government entities (e.g. Transport for NSW, NSW Health Infrastructure)	Separate monitoring requirements in other Council plans and strategies
Through grassroots or private lobbying	Planning Agreements	Outsourcing	Other data reporting to various state and federal government agencies
Through working parties or community consultative committees	Privately funded (e.g. for sporting facilities)	Private direct provision (e.g. sporting facilities)	
Sports or community groups	Discretionary funds provided by Council,		

	the Government or the private sector		
Through the process of assessing a Planning Agreement			
Other plans and strategies (e.g. a local Bicycle Plan)			
<b>Note:</b> This list is not exhaustive			

Ideally, most infrastructure planning would be integrated with land use planning in a holistic master planning process. In these circumstances, infrastructure contributions plans would be developed later as a means of financing some or all of the infrastructure projects identified, with references back to these master plans to establish the nexus for contributions levied. This approach is generally considered to result in the more financially and ecologically sustainable provision of infrastructure and development, in addition to better meeting the needs and expectations of the community. Unfortunately, this approach is often not funded on a local government level due to a combination of some or all of the following:

- Current inability or limited capacity to quantify the economic, environmental or social benefits of integrated infrastructure and land use planning and the corresponding opportunity cost of not adequately forward planning in light of constrained budgets, resources and competing organisational priorities.
- Comparatively low upfront cost and ease of planning for infrastructure on a needs or opportunistic basis compared to the higher upfront cost and difficulty of integrated infrastructure and land use planning. This is compounded by the difficulty in quantifying the costs and benefits for integrated infrastructure and land use planning as per the point above.
- Lack of qualified town planners.
- Lack of state and federal government support.
- Inherent inability to plan for all infrastructure types due to the evolving nature of best practice planning, changing community needs or expectations, and changing political priorities.

The recommendations provided in this submission suggest that a more integrated approach to infrastructure monitoring can provide the data and evidence base to support a more integrated planning system and guide better economic, environmental and social outcomes for NSW.

#### **Recommendation 1: Develop a Central Infrastructure Register**

It is recommended that a central state-wide infrastructure register be developed as a first step to ensuring a more coordinated approach to infrastructure planning, funding and delivery. This system would be required to store and contain information on all public infrastructure assets identified by any level of government by any means on a single consolidated infrastructure register, irrespective of whether or not it was identified through an infrastructure contributions plan, if it is budgeted, if it has been built yet, or if it has only been identified at a preliminary stage.

The key advantage and core function of this register would be that it consolidates information about public infrastructure in a single location with consistent data management practices, as opposed to such information being stored in a variety of different ways and scattered across different

uncoordinated local and state asset management plans, monitoring plans, state and federal records etc. The existence of a single register with consolidated and improved data accessibility for most or all public infrastructure projects in NSW can also provide the following benefits and/or applications:

- The information can provide a more accurate means for calculating infrastructure costs and provide further opportunities for important research into infrastructure costs and provision.
- Infrastructure maintenance backlog data could be used as an additional means for reporting the financial health of local government and the state.
- The register can be augmented at a later stage to also incorporate existing or proposed mandatory reporting requirements for local government and infrastructure contributions plans.
- The information can be used to compare the upfront provision and ongoing maintenance costs of new master planned development precincts to development precincts that have not been master planned (see **Recommendation 2**).
- The information could be used to inform how much money should be spent by governments on infrastructure, and how best to allocate it (see **Recommendation 3**).

Developing a central register for all infrastructure projects in NSW is clearly not an easy or straightforward task to be suggesting. However, it is contended that the benefits of doing so outweigh any initial cost. It is also suggested that such a register can be developed incrementally at low upfront cost. The complexity and kinds of information the register can store can likewise also be staged over time. For example, the register may start as a simple list of infrastructure projects that are planned by some key state government agencies, containing only basic information such as the description of the project and estimated capital value. Over time, the register could expand to encompass other government agencies and local government as well, with the register also expanding to incorporate more complex information such as the planning or implementation stage of the infrastructure project, the maintenance expenditure for existing pieces of infrastructure, any benefit cost analyses undertaken and any applicable relationship to local infrastructure contributions plans.

### **Recommendation 2: Leverage Better Data to Support Integrated Infrastructure and Land Use Planning**

It is recommended that the Department of Planning, Industry and Environment undertake a series of case studies to calculate the benefit of integrated infrastructure and land use planning and apportion financial or in-kind assistance to local government to undertake it, proportional to the benefit identified. For the purposes of calculating the economic benefit of integrated infrastructure and land use planning, it is suggested that case studies be applied to green field residential development areas, where the following would need to be established:

- Quantifiable principles that are generally considered to represent good master planning practice, such as proximity to public transport, proximity to local parks, proximity to local services and higher minimum dwelling density near these services. Although quantifiable principles are generally to be avoided lest they become arbitrary or counterproductive, they are required in this instance to establish a baseline level of data. Exceptions could of course be made if they were to result in counterproductive outcomes in reality.
- Comparable existing precincts that have attributes contrary to the newer master planned areas, including greater distances to public transport, local parks and services as well as a much lower dwelling density near these services.

- The comparison of upfront and ongoing infrastructure costs as well as the value of development between the precincts that have been master planned in accordance with the quantifiable planning principles and the precincts that has been developed without adherence to such principles. In this case, proximity to public transport, local parks and services can be used to infer the impact of planning on congestion and public transit efficiency, whilst minimum dwelling density can be used to determine the total economic benefit to the development and construction industry for new areas.

The result of establishing the above should be an indicative benefit cost ratio of the economic value of integrated infrastructure and land use planning. Establishing this benefit cost ratio can then be used by the Department of Planning, Industry and Environment to justify the provision of extra resources to support local government in developing these plans, resulting in the more efficient provision public infrastructure and corresponding higher development value and lower cost of infrastructure contributions in NSW.

As mentioned earlier in this submission, part of the reason why integrated infrastructure and land use planning is not undertaken is the lack of quantifiable data to demonstrate why holistic master planning is a more economically, environmentally or socially viable way of planning when compared with planning for infrastructure in isolation, either on a needs basis or as part of opportunistically seeking grant funding or government assistance. In my own personal experience, it is very rare that I encounter any policymaker that doubts the inherent benefit of allocating additional resources for integrated infrastructure and land use planning in terms of the economic, environmental or social benefits that could result. However, in practice, I have found that the inability provide quantitative data to support this approach often results in chronic underfunding of town planning in local government, as severely restricted local government budgets often get allocated to other priorities instead, which often do have readily quantifiable costs and benefits (e.g. most large infrastructure projects have cost benefit analyses). It is therefore suggested that this recommended approach is required in order to equip policy makers to make informed and economically sensible decisions about planning for infrastructure, as the lack of quantifiable data with respect to the costs and benefits of integrated infrastructure and land use planning often means that they cannot.

It is also noted that over time, the research surrounding these case studies can be expanded as data collection and research improves over time. Impacts such as those on public health and greenhouse gas emissions could also be calculated as better information becomes available, which could potentially also further justify expenditure for integrated infrastructure and land use planning. The delivery of this recommendation could also be made easier with the prior full implementation of **Recommendation 1**.

### **Recommendation 3: Incorporate Infrastructure Planning Into Macroeconomic Policy**

The cost of funding public infrastructure has been identified in the Issues Paper as a significant issue for both developers in terms of the cost of development and local governments in terms of ability to actually cover public infrastructure costs. It is recommended that consideration be given by the NSW Government to directly funding infrastructure in infrastructure contributions plans as part of its ongoing forward budget and as part of stimulus expenditure.

By funding infrastructure identified in contributions plans directly, the NSW Government would limit the need for local government to subsidise the demand for infrastructure borne by future development. This also ensures that the infrastructure being funded, generally speaking, has already been planned for. This avoids a common problem with traditional grant-based funding, where the infrastructure eventually funded is often only identified for the purposes of obtaining the grant

funding, with little consideration as to actual need and the ongoing maintenance costs of such infrastructure.

Care would need to be taken with respect to implementing this recommendation if it would result in lower infrastructure contributions costs for developers. The NSW Government should not subsidise infrastructure contributions for developers where:

1. The developer is reasonably able to bear the cost of the contributions themselves with no impact on development viability; and
2. Where there is little or no additional public benefit that could be obtained from spending the same money elsewhere.

It should also be noted that the full implementation of **Recommendation 1** would assist in formulating funding opportunities due to the wealth and completeness of the information it would provide and also allow the NSW Government to make informed decisions on what other infrastructure projects it could fund as well.

#### **Recommendation 4: Promote the Study of Planning as a Profession**

As previously mentioned in this submission, one of the key barriers to delivering integrated infrastructure and land use planning is the shortage of qualified town planners. This shortage limits the value and suitability of many infrastructure contributions plans and the ability for local governments to adequately forward plan for development and infrastructure in a way that is economically sustainable. It is therefore recommended that the Department of Planning, Industry and Environment dedicate more support to promoting planning as a profession, understanding that the lack of qualified planners hurts the efficacy of infrastructure contributions plans in NSW, which in turn hurts the development industry and the economy as a whole.

Please do not hesitate to contact the undersigned if you require any further information or clarification.

Yours faithfully,

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