UDIA POLICY PAPER

INFRASTRUCTURE FUNDING AND PROVISION

BACKGROUND

Efficient and effective infrastructure provides the fundamental framework that allows modern economies to operate. Urban development by its very nature requires large investments in new urban infrastructure, supporting businesses, economic growth and providing individuals with access to employment, education and other opportunities. In recent years Investment in key infrastructure has struggled to keep up with strong growth in the Australian economy and population– particularly in our capital cities. This has led to heightened congestion and significant delays in new housing supply, reduction in productivity and overall a deterioration in the quality of life in our major cities.

An additional problem specific to urban development is the growing trend among governments to charge for infrastructure 'up front' through developer levies and charges. Much of these costs are ultimately built into the price of a new home which reduces housing affordability and overall housing supply pipelines. This shift has been justified based on the 'user pays' principle, however in many instances infrastructure charges applied on new homes are more akin to an inequitable tax, with new home buyers funding infrastructure that benefits the wider community.

UDIA POSITION

The solution to Australia's infrastructure investment problems will require a concerted effort by all levels of government to increase the available funds and ensure that they are spent wisely on the infrastructure we really need.

With increasing pressures on public finances, governments need to investigate alternative methods of funding infrastructure, such as tax increment financing and increased use of public-private partnerships to ensure that enough funding is available. Governments also need to ensure that infrastructure spending is efficiently targeted by employing cost benefit analysis on major new projects.

The burden of funding new infrastructure cannot continue to be shifted to new home buyers. In addition to reducing housing supply and affordability, this approach is inequitable, with new home buyers representing less than 1%pa of the population, being forced to pay for infrastructure of benefit to the broader community. Federal and State Governments must provide more funding for local infrastructure, and must also favour funding approaches that spread the cost of new infrastructure out over time, rather than imposing it upfront through developer levies and charges.

ACTION FOR GOVERNMENT

- Federal and State Governments to provide more funding to Local Governments and relevant state agencies for the financing of local infrastructure. The Federal Government should increase funding to the National Housing Infrastructure Facility up from the $1b in the 2017 Budget.
- Investigate further utilisation of alternative methods of financing infrastructure, such as tax increment financing, public private partnerships, institutional investment and tax incentives.
- Favour funding and financing approaches that spread the cost of infrastructure out over extended timeframes rather than impose it upfront such as through developer contributions.
- Commit to rigorous and comprehensive cost benefit analysis of major infrastructure projects, to ensure that Australia gets the right infrastructure, and taxpayers get value for money.
- Federal and State Governments to collaborate to establish and regularly update regular short/medium/long term population forecasts to support land-use and infrastructure servicing plans

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