

26 March 2012

The Hon. Brad Hazzard MP
Minister for Planning and Infrastructure
Minister Assisting the Premier on Infrastructure NSW
Level 33 Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000

Dear Minister,

Re: Deferral of Special Infrastructure Contribution increases and the associated review

I refer to the Urban Taskforce's previous correspondence of 6 June 2011, 24 June 2011 and 17 November 2011 in relation to the above matter. I confirm that we continue to support your decision to defer a scheduled 50 per cent increase in development levies. However, we remain concerned with the short deferment period. A six (6) month deferment to 30 June 2012 is not sufficient time to stimulate investor interest or improve certainty in the NSW development industry. We urge you to reconsider the length of deferment and suggest that the deferment be extended for at least a further twelve (12) months from 30 June 2012.

I note that the media release issued by the Minister for Finance and Services, The Hon Greg Pearce MLC quotes you stating that "the extension will allow the time necessary for extensive consultation with industry and the community"¹. The 30th June is only three (3) months away and I am not aware of "extensive consultation with industry". I am concerned that we have not yet been consulted on this very important issue.

I am sure that you are aware of the recent IPART reviews of section 94 plans in the Blacktown and Hills Shire. Like the SICs the section 94 plans are a means of providing infrastructure through developer contributions. IPART was able to identify areas where savings could be found. However, more critical to this issue are the statements made by IPART's Acting Chairman, Mr James Cox. When considering who actually benefits from new infrastructure funded by a small group of developers, IPART found that the benefit can extend outside of the local area. In some cases expenditure benefits all residents of Sydney, not just those in the areas where the works are located. In these cases Mr Cox states that "it's reasonable that all residents of Sydney should contribute towards meeting this cost" and "further consideration of options for financing infrastructure in growth areas is therefore warranted"².

IPART makes further insightful commentary on development levies and the inequity within the current system in their submission to the NSW Planning System Review. IPART state that

[t]he large number of policy changes may have reduced investment certainty. Further, the rationale for the current allocation of costs between these parties is not clearly articulated. The system is

¹ Media release by the Minister for Finance and Services. *Extension of time for reduced infrastructure contributions*. Wednesday, 21 December 2011.

² Media release by IPART NSW. *IPART Reviews Highlight the cost of providing Infrastructure in Western Sydney*. Thursday, 27 October 2011.

fragmented, resulting in inequities in the allocation of the costs of development depending on the location and the ultimate owner of the infrastructure.³

With respect to who should pay for infrastructure IPART says that:

[t]he overarching principle could be one of beneficiary pays. We note that for some of the infrastructure eg, where a broader environmental benefit is generated, the whole of Sydney would benefit, not just the new residents in the release area. ***For this infrastructure it may be reasonable that someone other than the developers (and ultimately, purchasers of housing in new development areas) pay some of the costs.***⁴ (emphasis added)

IPART's findings in the areas of section 94 and their submission to the Planning System Review must be carefully examined as part of the Government's review of the SIC and other options for funding infrastructure.

Significant new investment in greenfield housing will not occur until developers see a permanent, robust policy of minimal development levies, backed up by solid government infrastructure commitments. IPART supports this position and state that

The large number of policy changes could reduce investment certainty.⁵

We are anxious to learn how we can participate in the Government's review and in this regard I would appreciate advice from you or your staff on this matter.

Should you wish to discuss the impact of development levies on housing production and/or other options to fund infrastructure, please feel free to have your office contact me on telephone number 9238 3927.

Yours sincerely

Urban Taskforce Australia



Chris Johnson
Chief Executive Officer

³ IPART Submission on Issues Paper: NSW Planning System Review. Local Government — Submission. February 2012. p.10

⁴ Ibid. p. 11

⁵ Ibid. p.8