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NO VALUE IN WRONG RAIL LEVY

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The Prime Minister Malcolm Turnbull's enthusiasm for fast rail connections to the proposed Western Sydney Airport is tempered by the reality of the massive costs of this scale of infrastructure. His statements on funding options then drift to the newest form of money that can come from the in-vogue term "value capture".

The Prime Minister's colleague the Member for Bennelong, John Alexander, is currently chairing an inquiry into the funding of transport infrastructure that focuses on the concept of value capture to contribute substantial funds.

The argument behind the enthusiasm for value capture by Turnbull and Alexander is the new transport infrastructure will lift the value of land nearby and this uplift in value should be "captured" to help fund the infrastructure. Similar approaches have been proposed by NSW Transport Minister Andrew Constance to help fund the Parramatta light rail project and by Parramatta City Council to fund their infrastructure.

However, most of these value capture proposals only levy new housing for a contribution, even though the uplift in value also applies to existing housing and new and existing retail and commercial uses. So new housing costs will go up significantly unless the Planning Minister decides that much higher buildings may soften the blow that comes with an extra tax.

There is a better way to help fund major transport infrastructure that more fairly distributes contributions across all of the beneficiaries of the infrastructure and does this as a continuous funding stream separated from the ups and downs of the new housing market. The leading example is the Crossrail project in London.

A new small levy on business rates across all of London over a 30-year period enables the government to service a loan of £3.5 billion and provides £600 million for construction. Another small levy on all new construction across London will also make a major contribution. A detailed report on funding options for Crossrail 2 prefers these small increases across wide areas of beneficiaries rather than taxing only new housing close to the new rail line. The Report, by PwC's UK office, states: "there is a risk that, by setting a rate too high, a significant number of development proposals may be unviable, damaging economic growth in London to an unacceptable degree."

We don't want to damage economic growth in Sydney by rushing into a tax on new housing that could kill the goose that lays the golden egg. Serious modelling of the impact on housing development must be undertaken and Sydney must learn from international projects such as London's Crossrail.

Chris Johnson is CEO of Urban Taskforce.