

Developers hit out at push for value capture 'magic pudding'

Jacob Greber
Economics correspondent

Property developers are on the warpath against government moves to impose project "value capture" schemes, saying they are confused, opportunistic and tend to be unfairly limited to apartments.

A report by the industry lobby group Urban Taskforce argues the idea of using such funding systems is fine in principle, but should only be used if applied broadly across a community that benefits from new infrastructure such as rail.

Chris Johnson, chief executive of the taskforce, says the industry is in a state of "absolute confusion" because all three tiers of government are separately insisting on introducing often contradictory value capture models,

which he describes as "magic pudding thinking".

A report prepared for the Urban Taskforce by Nigel Stapledon and Kevin Fox at the University of NSW Business School to be released on Tuesday argues that a broad-based land tax would be the most efficient way of capturing the additional value of infrastructure investment.

Governments are increasingly looking at new ways of funding infrastructure projects and tapping investors such as superannuation funds to raise capital. With value capture funding governments effectively monetise the increase in property values near new railway stations and other projects to provide a revenue stream for bond investors.

As a funding mechanism, value capture has won supporters, includ-

ing investor groups, state and local governments, and Prime Minister Malcolm Turnbull.

Mr Johnson argues project funding should be based on two key principles. The first is the cost is spread across as broad a number of people and businesses as possible, such as through an infrastructure contribution levy. Secondly, if there is a significant uplift in the value of property bought well before the new project is built, some of that could be directed back to infrastructure providers via increased land taxes.

He complains the current system tends to use "value capture" to slug individual projects. For instance, he gives the examples of apartments in Sydney's west being slugged a fee of about \$20,000 per unit.

"The principle of value uplift is fine," he said. "It's critical for all of us in cities like Sydney, Melbourne and Brisbane that more metro-type projects are built so more houses can be built around those areas. Value uplift can contribute something back to infrastructure. But at the moment the proposals seem to be very selective to developers of new housing."

Mr Johnson said rather than cracking the politically difficult introduction of a land tax – so far only the ACT has done this – governments find it simpler to slug developers.



Urban Taskforce is concerned about how "value capture" schemes are used.



Chinese investors were blocked from buying power operator Ausgrid. PHOTO: NICK MOIR

Plan for critical assets blacklist

Primrose Riordan

Trade Minister Steve Ciobo says the Cabinet will consider creating a list of "critical infrastructure" that would be subject to a higher threshold of scrutiny for foreign investors.

As revealed by *The Australian Financial Review*, Mr Ciobo told a Hong Kong audience on Monday that the government could change its guidelines on foreign investment in critical infrastructure to make it clear Australia doesn't discriminate against Chinese investors. It follows the decision to block Chinese and Hong

and Hong Kong-based Cheung Kong Infrastructure on August 19.

Mr Ciobo suggested the deal could be structured differently so part of Ausgrid could be leased to foreign buyers.

"The issue with Ausgrid is that it does control some sensitive critical infrastructure. Critical infrastructure that was deemed to be contrary to the national interest for it to be sold abroad and that's the reason, on this particular instance, it was a different outcome to, for example, what CKI has encountered previously when they have gone before the Foreign Investment Review Board."

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