Value Capture Submission

Thank you for the opportunity to provide comment on the research into utilising value capture funding for infrastructure in Victoria. The following outlines the concerns of the Peri Urban Group of Rural Councils regarding the use of this style of funding for infrastructure projects in rural and regional areas. We have also previously provided similar comments to the Federal Parliament through the Standing Committee on Infrastructure, Transport and Cities - http://pugrc.vic.gov.au/peri-urban-group-rural-councils-position-value-capture/

Infrastructure Challenges of the Peri Urban Region

The funding of infrastructure in the Peri Urban region is a critical priority for the PUGRC and the communities of the region. The key issues are as follows:

1. **Large Shires and small budgets**

   The Peri Urban Councils are on average, four times the land size of the Regional Cities and fifty percent larger than the interface Council areas as shown below. The sheer scale of the Peri Urban shires results in low population densities dispersed across very large Shires with poor access to public transport, sealed roads, health and education services and employment opportunities.

   The infrastructure challenge in this region is exacerbated by the increasing use of peri urban facilities by residents of neighbouring municipalities. This includes child care centres which are now using post codes for wait lists and recreation facilities that are full of teams from neighbouring shires.

   The Peri Urban Councils’ contribution to roads consumes, on average, half of their capital works budgets each and every year.

2. **Access to public transport and car ownership**

   Away from the core transport spines, the Peri Urban region has extremely limited access to public transport as shown in the PTV map below.
The circles indicate the Peri Urban municipalities.

The lack of public transport is also illustrated by the higher than average levels of private car ownership across the Peri Urban region. The chart below, using ABS statistics¹, shows that the region is heavily reliant on private car ownership. Households that do not own a vehicle are below the average for the state and households with 2 or more vehicles are well above the State average. The high levels of car ownership correlate to poor levels of public transport in the region.

¹ http://profile.id.com.au/
3. **Roads – new and re-surfacing**

The Peri Urban Group of Councils manage a combined total of 22,000km of roads across seven Shires. This is sufficient to circumnavigate mainland Australia.

Due to traditionally small populations and corresponding small Council budgets, investment into the road and bridge networks have not kept pace with increasing demands to use high productivity vehicles (HPV) for greater efficiencies, community expectations and population growth. Natural disasters also throw the lack of investment and condition of these rural, often unsealed roads and wooden bridges into sharp focus.

The peri urban area surrounding Melbourne and Geelong and adjacent to Ballarat and Bendigo is becoming a battleground between the residents of the rapidly growing residential areas and the nearby traditional industries and uses like agriculture, resource and timber production and manufacturing. These industries and large percentages of commuting residents (50%) are competing for access to congested, poorly maintained rural roads and bridges and ultimately highway access to the capital city and transport hubs.

It is a battle that is being played out on a road network that was built in Victoria during the time of the gold rush and on bridges designed for a horse and cart. This network needs strategic investment to bring it up to par with the road networks of neighbouring growth areas.

The requirement for new and significant government investment into the road network is being driven by the following:

- **Population growth** – the population in the Peri Urban region will grow by 50.2% through to 2031. One in every 3 residents will be new, based on today’s population. The roads and bridges to support this growth need to be funded now and not solely by the current rate payers.

- **Congestion** – In some towns like Bacchus Marsh, the traditional road network means that up to 500 trucks per week are passing through the middle of the CBD rather than by-passing these pedestrian areas. Gisborne has similar pressure from truck routes.

- **Last mile** – Councils and businesses need access to funds to complete roads capable of carrying HPVs. HPVs are most efficient when they can operate point to point and yet often, loads in rural areas will be divided onto smaller vehicles for transportation to or from their destination.

- **Commuters** - the peri urban regions are highly desirable to commuters working in capital and major cities. Across the VIC Peri Urban region there are currently 38,000 people commuting for work. This is forecast to rise to 58,000 by 2031. New, alternative routes to major arterial roads are required across the region.

- **Rural roads** – our Shires, unlike metropolitan Shires, contain significant tracts of unsealed roads. These are an ongoing maintenance burden and a
significant cause of resident dissatisfaction. In the 2016 Community Satisfaction Survey, rural unsealed roads remain the worst performing service for residents across the State. Unsealed roads continue to rate highly in terms of importance to residents.

The challenge in the Peri Urban region is that the low population densities make it virtually impossible to utilise a value capture model for funding roads and bridges, particularly those required for point to point transport of primary produce and livestock. These roads are often adjacent to very small numbers of properties resulting in a miniscule pool of beneficiaries to part funds the project.

What must be considered in these areas is that an upgrade may result in increased employment in the region and reduction in commuting numbers, higher production of primary produce or livestock for Australian tables or export and a local economic stimulus that would inject more funds into government coffers over time.

Funding of infrastructure

Local Government has few financial tools to fund the delivery and maintenance of infrastructure. Political imperatives and the community’s desire for new and modern infrastructure has resulted in significant maintenance backlogs across many Local Government areas and deficits in basic infrastructure including footpaths in many rural communities.

The Victorian Government has followed the path of the NSW Government in implementing rate capping which came into effect in 2016. Following the implementation of rate capping, Council rate rises will be set and strictly controlled by the Victorian Government. Local councils will have little control over this revenue source and revenue reserves to contribute to value capture funding initiatives are expected to be consumed by operating expenditure.

We note that Infrastructure Victoria has chosen not comment on the potential for an impact on Local Government operations and funding due to rate capping due to the recent implementation. Rate capping will have little impact on the operations of fast growing metropolitan Councils. It is however expected to have a significant and negative effect on rural and regional Councils and communities. We urge Infrastructure Victoria to remain engaged in the plight of the rural and regional Councils in this matter.

Peri Urban Group of Rural Council’s Position on Value Capture

The PUGRC has considered the role of value capture in delivering greater investment into infrastructure in Australia. We can see the merit of utilising this model of funding infrastructure in metropolitan areas where the population and business density results in a greater pool of beneficiaries for a project.

However, we believe that the populations and business owners of rural and regional Australia are already paying “above the odds” for basic infrastructure and sub-quality services (NBN, mobile coverage, unsealed roads). The communities
and Councils of these areas are faced with a significant infrastructure gap, and we believe the use of a value capture model in rural and regional areas would further exacerbate the infrastructure challenges of these communities.

Significant investment into infrastructure is urgently required to bring these areas to a level of appropriate infrastructure parity with regional cities and urban areas.

It is important to note that investment into the rural and regional areas will deliver returns over much longer timeframes and generally through demographic and generational change. These changes include greater access to education, training, employment, lower out of areas employment, lower rates of youth unemployment and improvements to health and wellbeing.

There is a great opportunity to support the sustainable growth of the regions and to stop the spread of unliveable, overcrowded cities, by simply investing into areas adjacent to the major cities and providing a viable alternative to major city living.

Our three basic concerns with value capture are:

1. The basic premise of value capture is that those who live or work next to the infrastructure are those who will gain the most out of the infrastructure being funded. However, in rural and regional areas, this is generally not the case as the major beneficiaries are from the wider community and often removed from the project.

2. If value capture is used to fund infrastructure in rural and regional areas, there would likely be insufficient capital in those communities to contribute to the required infrastructure.

3. Rural areas require a cross funding model that transfers excess capital from metropolitan areas to rural areas to fund infrastructure that benefits both communities equally.

We are concerned that a value capture funding model will ensure that relatively wealthy metro areas will reap the benefit of past State Government and community infrastructure investment whilst rural areas will struggle to find the funding for future infrastructure. We believe the rural areas would be left well behind their city cousins in economic development, transport access and ultimately social equality.

Areas of support / agreement with the research and value capture model:

1. Ensuring community support for value capture projects. We support the inclusion of the community in discussions around utilising value capture, and the building of support for its use on particular projects.
2. **The development of a consistent process for applying and utilising value capture.** This is critical to ensure that the model is applied equitably and there is transparency around projects and funding levels from beneficiaries of the projects.

3. **Case by case assessment of the use of value capture.** As noted in the research paper, value capture is not a magic bullet for transferring the costs of infrastructure to neighbours and Local Government nor will it suit all projects. We support the notion that this would be considered on a case by case basis with other funding streams available for rural and regional projects where the beneficiaries are the whole community or the application of the model would result in an unjust financial impost on neighbouring beneficiaries.

**Recommendations:**

1. **Limit the use of value capture to projects in urban and metropolitan areas unless they have been designated as “State Significant” in rural and regional areas.**

2. **Develop and implement the Standard Developer Contributions (DCP) for use in rural and regional areas.** This will enable an increase in the contributions made to infrastructure by developers. Currently many rural and regional Councils rely on Section 173 agreements which can be difficult to negotiate, contribution amounts can be difficult to justify and the agreements can be difficult to enforce.

**Conclusion:**

We congratulate Infrastructure Victoria for commissioning this important piece of research on value capture. It is a model that can be applied successfully in particular contexts within metropolitan areas. We urge you however, to recognise the limitation of this type of funding in a rural and regional context and to ensure that other funding mechanisms remain in place for these Councils and communities.

**Contact Details**

For further information please contact:

- Paula Lawrence, Executive Officer, Peri Urban Group of Rural Councils via plawrence@moorbaool.vic.gov.au or 0412 370 651