

Monday 20 April; 2020

Mr John Alexander OAM MP | Chair  
Standing Committee on Infrastructure, Transport, and Cities  
PO Box 6021  
Parliament House  
Canberra ACT 2600

Dear Mr Alexander,

**Submission to the Inquiry into options for financing faster rail**

Thank you for the opportunity to contribute to the Inquiry.

Committee for Melbourne (Committee) is an apolitical, not-for-profit, member-based entity that brings together over 140 organisations from Greater Melbourne's business, academic, local government, and community sectors whose common purpose is to shape a better future for Melbourne.

As an independent organisation we represent no single interest group or political position, but seek to challenge conventional thinking and to develop innovative ideas to continue to enhance Melbourne's position as an economically prosperous and highly liveable global city.

The Committee supports the Standing Committee on Infrastructure, Transport, and Cities (Standing Committee) conducting this inquiry into options for financing faster rail. Investment in faster rail is an opportunity that goes beyond creating jobs, and transporting people from one place to another at greater speed; it has the capacity to reshape Australia. Population growth, a transforming economy, an ageing populace, and urbanisation are reconfiguring our cities and regions, and a plan is required to help manage such significant and complex change. A national settlement vision and execution of a plan, underpinned by faster rail, will help ensure that

Australia's urban and regional landscape remains sustainable. It will require strong leadership by federal and state governments, with a substantial role for industry to play.

This submission will highlight:

1. Why integrated planning and faster rail will benefit Greater Melbourne, Australia's east coast, and regional cities
2. The need for effective governance structures, in the planning and delivery of integrated transport plans including faster rail, and
3. Why value capture should be considered as a funding source provided a rigorous and transparent framework is developed. The potential benefits value capture mechanisms offer include the capacity to encourage long-term strategic planning and investment and the utilisation of taxpayer funds more equally.

The opportunity that projects of national significance offers for the post COVID-19 recovery period cannot be understated. The need for collaborative investment to build a stronger national economy has never been so important.

## **1. The need for integrated transport planning**

### a/ Greater Melbourne

The Committee has been calling on the Victorian Government to develop and publish an integrated transport plan, which will enable seamless mobility throughout Greater Melbourne.

Melbourne has reached a tipping point. The city's population explosion, combined with growing tourism and trade volumes, has placed our essential services – including our transport system - under great pressure.

The design and implementation of a comprehensive blueprint, which incorporates transport, land-use, and economic development planning, is essential for Melbourne to cope with growing numbers of people and freight.

For Melbourne to continue to prosper, and attract the attention of investors from around the globe, it must retain its status as one of the world's most liveable cities. A long-term strategic plan for a world-class, integrated transport system can help Melbourne retain this status.

b/ A plan for Australia's east coast

The Committee has also been advocating the need for a plan to develop an Australian east coast megaregion, where the vast majority of the Australian population resides. We believe the federal and state governments should work together to develop a long-term, strategic plan for an Australian east coast megaregion, integrating major capital cities, regional cities, and their surrounding suburban hinterlands. With no overarching strategic plan for the region, it becomes difficult for state governments and the private sector to make important strategic, planning and investment decisions which consider the bigger picture.

At present, Australia's three major east coast cities -- Melbourne, Sydney, and Brisbane - do not integrate to form a megaregion. Instead, they remain isolated capital cities with policy-makers in all states, and city governments, competing against one another for capital, trade, and skilled workers.

Greater collaboration and integration along Australia's east coast would potentially boost the country's economic productivity, innovative capacity, and investment attractiveness; enabling us to better-compete in international markets. Other benefits include population dispersion to relieve congested cities, regional activation, greater innovation collaboration, housing affordability, economic growth, job creation, and improved liveability. Furthermore, there would be certainty for investors and the community in terms of the strategic direction of settlement and development.

Faster rail infrastructure allowing for greater connectivity, is likely to be a fundamental requirement underpinning the creation of an Australian east coast megaregion. Faster rail has been talked about for too long, and at the very least, the research that has already been conducted must be reviewed.

c/ Benefits of faster connectivity for all cities

While there are many benefits to be gained by investing in faster rail, one of the major benefits is its capacity to *activate* the regions. Regional economic growth, particularly in Victoria and New South Wales, has not kept pace with capital city growth over the last 10 years.

The table below highlights the value of GDP, annual growth rate, the average annual growth rate for the last decade, and the share of national GDP for each region. The discrepancies between Melbourne, Sydney, and their respective regions is significant. Regional Queensland is the exception; it has been able to sustain strong growth primarily through its mining and tourism activities. However, some regional cities in Queensland would likely have benefited more than others, depending on where the mining and tourism activities were located.

Region	GDP Million	2018-19 Growth	Average Annual Growth 08-09 to 18-19	Share of GDP
Sydney	\$461,440	2.6%	2.7%	24.1%
Regional NSW	\$152, 969	-0.3%	1.7%	8%
Melbourne	\$369,439	4.0%	3.0%	19.3%
Regional Victoria	\$76,640	-1.4%	0.8%	4.1%
Brisbane	\$177,006	2.6%	2.5%	9.3%
Regional QLD	\$180,038	0.1%	2.1%	9.7%

Source: SGS Economics and Planning, 'Economic Performance of Cities and Regions', December 2019.

Faster rail connections could stimulate economic growth in major regional centres, with larger local populations helping to attract business investment, and increasing the demand for locally

produced goods and services. Further investment in social infrastructure and amenity could help attract additional skilled talent to continue to grow these economies.

## **2. A model for integrated planning**

An integrated planning approach between all tiers of government would be essential to deliver faster rail networks. A *business-as-usual approach* may not suffice. Given the limitations of Australia's governance and institutional structures, and the country's unique historical context, a clear framework to guide growth and investment within and across jurisdictional borders is required.

Connecting Australia's capital and regional cities via faster rail will not only require a credible business case(s), it will require political will, as well as planning, and bureaucratic coordination between all tiers of government, as well as collaboration with industry and the community. A strong, unified vision with clear project objectives is essential.

A model characterised by the alignment of planning, investment, and governance mechanisms, would be essential to stimulate urban renewal and accelerating growth and job creation within designated areas. The Federal Government's City Deals framework – an initiative designed to bring together the three levels of government, industry, and the community to create place-based partnerships – offers insights into how this might be achieved.

## **3. Funding faster rail**

It is important that the Federal Government comprehensively evaluates how to fund faster rail, and how its financing is structured, to achieve the best outcomes possible. Given the constrained fiscal position of Australia's state and federal Governments, this presents a challenge especially in the context of the COVID-19 health and economic crisis.

Innovative funding and finance mechanisms should therefore be explored. Relying on traditional funding sources, including government revenue derived from tax increases, expenditure cuts, or user pays, will only form part of the solution to building a faster rail network.

The Committee supports the consideration of *value capture* as a funding mechanism. Designed to capture any uplift in value generated by new transport infrastructure, these mechanisms could assist governments seeking to recoup some of the costs of their transport infrastructure investment.

While value capture would assist funding faster rail, concerns remain about how it would be applied. For example, a heavy reliance on land values increasing, especially in rural areas, is something that is not guaranteed given demand for land is much higher in urban environments. User charges would need to remain an important component of the funding mechanism, given that those travelling on new transport infrastructure obtain great benefit. Furthermore, apportioning fair value between taxpayers paying for the new infrastructure and those that benefit, including developers and landowners, is difficult and will require a model(s) that ensures fairness. Provided a fair value capture model is developed, it would potentially enable rail projects to be funded in a manner that is beneficial to all taxpayers.

Further research could be conducted about the merits of funnelling captured funds to other community projects; not just to help recoup the costs of the investment into the initial piece of infrastructure. Community infrastructure projects may include public hospitals or affordable housing in areas that the faster rail connects. Such a model would have to be fully transparent, and clearly articulate how much value is being captured, and where the corresponding funds are being distributed.

Furthermore, the distribution of captured funds by the Federal Government to State governments could be examined, providing the states have clear and transparent integrated transport plans, which demonstrate value for their citizens. This would provide certainty to the Federal Government that the distributed funds are going to worthwhile projects, while also encouraging greater private sector investment because of the certainty those plans deliver.

The Committee therefore supports the exploration of opportunities that value capture mechanisms could generate. Ultimately, given the fiscal constraints of all governments, faster rail will need to be funded by a fair and efficient model of taxes and charges, while a flexible approach to engaging industry in both construction and ongoing operations will be essential.

### **Conclusion**

Committee for Melbourne welcomes the Standing Committee's inquiry into options for financing faster rail.

The Committee encourages the Standing Committee to consider faster rail as a mechanism to underpin connectivity across Victoria and along Australia's east coast.

Value capture is a funding mechanism that could assist in the delivery of faster rail solutions. While the mechanism chosen will have to be carefully considered, it could offer many benefits if implemented fairly and efficiently.

The opportunity that such a project of national significance offers for the post COVID-19 recovery period cannot be understated.

Please contact Committee for Melbourne at [cfm@melbourne.org.au](mailto:cfm@melbourne.org.au) should you require further information.

Yours sincerely,



Martine Letts

CEO