Alternative funding options for the early delivery of active and public transport in new suburbs

Transport Options in New Suburbs
Policy Brief

This policy brief presents the outcomes from an RMIT study into alternative funding sources for transport provision in growth areas to inform policy and industry stakeholders on potential funding options for transport infrastructure and service provision in new suburbs.

Key Recommendations

From our analysis we recommend the following:

- Explore integrated transport pricing and a broad-based land tax as possible funding sources to improve the delivery of active and public transport infrastructure and services.
- Use the Growth Areas Infrastructure Contribution (GAIC) as an instrument to support the early delivery of transport.
- Ensure the timely implementation of local infrastructure that has been identified in contribution plans.

Background

The timing of provision of public transport and infrastructure for walking and cycling is critical to its uptake and to maximising the benefits of reduced car dependency in growth suburbs. Current infrastructure planning and funding mechanisms do not support planning in advance of unmet demand or provide the certainty to developers, local governments and future residents that long term planning would give. Significant infrastructure investment will also be needed to achieve the public transport coverage envisaged in the Victoria Planning Provisions (that 95% of all dwellings are close[1] to a public transport stop), and to meet the aspirations for local living set out in Plan Melbourne.

To understand which alternative funding sources could assist in providing active and public transport infrastructure earlier, RMIT researchers undertook an assessment of potential funding options against an evaluation framework to analyse their potential and ease of implementation. This was based on a search of literature on funding mechanisms for infrastructure and development contributions, and an analysis of Victoria's current development contributions.[2] The analysis was part of a study into transport provision in Melbourne's growth areas in partnership with the Cities of Casey and Wyndham, property developer Stockland Australia and the Planning Institute Australia (Victorian Division), and in consultation with the Victorian Planning Authority (VPA) and the Department of Transport.

This policy brief outlines three funding options identified from research that could potentially provide additional funding for transport infrastructure and which share costs more equitably: integrated transport pricing; a broad-based land tax; and developer contributions.

Integrated transport pricing and a broad-based land tax

The analysis suggests that the funding source with the greatest potential is integrated transport pricing as it can provide recurrent, stable and equitable funding. The study compared relevant funding sources for the provision of transport infrastructure and services according to the criteria of potential revenue, reliability, equity, ease of implementation, travel impacts and the time frame for implementation. A broad-based land tax performs similarly against most of the criteria and particularly well for reliability, though has less potential to favourably impact travel behaviour.

Both transport pricing and a broad-based land tax collect recurrent rather than one-off payments, providing a relatively stable and predictable revenue stream. Both these approaches provide horizontal equity as they charge users and beneficiaries; and can provide vertical equity[3] if discounts are made available for lower-income households.

In terms of time frame for implementation, integrated transport pricing and the introduction of a broad-based tax would require significant change to current regulation and therefore are not feasible alternative funding options in the short term. The feasibility and benefits of transport pricing as an infrastructure funding mechanism could be initially evaluated through trials.

Transitional alternative funding options

Alternative funding options that could be pursued as more immediate solutions include betterment levies, payroll tax, expanded parking charges (e.g. parking at train stations; expansion of the Melbourne congestion levy), and to some extent, infrastructure contributions.

Betterment levies would be an appropriate option to capture value and to fund public and active transport in the absence of a broad-based land tax. The recently announced Windfall Gains Tax in Victoria which is planned to come into effect in July 2022 is a form of betterment levy.[4]

In France, increased payroll tax is used as an effective instrument for funding public transport. Regional transport authorities charge 2-3% additional payroll tax and about 30% of public transport operations are funded through this tax. A similar payroll tax surcharge has recently been announced for Victoria to provide funding for mental health and wellbeing.[5]

Infrastructure contributions

Infrastructure contributions which could be used for early transport provision include the Victorian Growth Areas Infrastructure Contribution (GAIC) and Infrastructure Contribution Plans (ICPs).

Growth Areas Infrastructure Contribution

GAIC funds can be used for transport infrastructure as well as five years of recurrent public transport services. This provides an opportunity to kickstart bus services which are the crucial backbone of a public transport service in growth areas. Their early operation would enable future residents to move in without the requirement for every adult in a household to own a car, delivering environmental, social and economic benefits. Thus, it would be beneficial to focus the GAIC more strongly on the early operations of public transport services in growth suburbs to support viability until a sustainable population threshold is reached. To support active transport at an early point in the lifetime of a suburb, infrastructure for walking and cycling as well as early delivery of community infrastructure could also be supported through the GAIC, ideally in cooperation with other stakeholders, to establish activity 'destinations' in nascent town centres.

As the GAIC is partly a betterment charge, the state government could assess whether the current GAIC rate reflects the value of betterment adequately. See also our separate Policy Brief on the GAIC.

Infrastructure Contribution Plans

While local developer contributions scheduled in the ICPs can be allocated towards local active transport infrastructure, public transport services remain largely out of scope. As the ICPs are one-off mechanisms, they do not provide an ongoing, reliable stream of funding over time. The ICPs could potentially be utilised to bring forward infrastructure required to improve connectivity, such as intersections, paths or bridges. For example, improved street connectivity could enable a bus to run through a development rather than along its boundary or shorten walking or cycling connections between destinations. Current ICPs may encompass these types of infrastructure development, however, when prioritising different infrastructure items in the contribution plans there is no explicit focus on the transport network outside the Precinct Structure Plan (PSP) area and issues of connectivity.

For further information:
cur.org.au/project/equitable-healthy-transport-options-new-suburbs/

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[1] Close meaning being located within 400m of a bus stop, 600m of a tram stop or 800m of a train station. Victoria Planning Provisions Clause 56.04-1.
[2] For further details on the evaluation framework and results see Kroen, A.; Goodman, R. (2020) Alternative funding options for the early delivery of transport options in new suburbs. Internal Working Paper, Centre for Urban Research, Melbourne. For further details on Victorian development contributions see Kroen, A., De Gruyter, C. 2021, 'Development Contributions for Regional and State Infrastructure–A Case Study of Melbourne, Australia', Urban Policy and Research, pp. 1-18, as well as Kroen, A., De Gruyter, C. (2019) Development contributions and other schemes for funding infrastructure in Melbourne's growth areas. Internal Working Paper, Centre for Urban Research, Melbourne.
[3] Horizontal equity means that people in similar economic circumstances are treated equally and costs are borne by those who benefit, while vertical equity means that people of different economic means and abilities are treated differently.
[4] SRO – State Revenue Office (2021) State Budget 2021-22 announcements. https://www.sro.vic.gov.au/state-budget-2021-22-announcements Last accessed 1 July 2021.
[5] SRO – State Revenue Office (2021) State Budget 2021-22 announcements. https://www.sro.vic.gov.au/state-budget-2021-22-announcements Last accessed 1 July 2021.