

# Transport Options in New Suburbs: A more strategic approach towards funding projects through the Growth Areas Infrastructure Contribution (GAIC)

## Policy Brief

### Background

New greenfield suburbs require a range of new infrastructure which can be funded through different mechanisms. This policy brief focuses on the Growth Areas Infrastructure Contribution (GAIC) as a charge that contributes towards the cost of *state-funded* infrastructure in Melbourne's growth areas.

The GAIC began operation on 1 July 2010 and applies to land zoned for urban development and brought into Melbourne's Urban Growth Boundary since 2005. It is charged as a per hectare rate from the purchaser on the first property transaction on either the sale or development of land. It is estimated that the charge will collect between \$3.0 billion and \$3.5 billion until 2040, which is estimated to meet approximately 15% of the cost of providing state infrastructure and services in the growth areas. Contributions are distributed equally between the Growth Areas Public Transport Fund (GAPTF) and the Building New Communities Fund (BNCF).

State government departments and agencies can apply for projects to be funded through GAIC funds. Developers, local governments and other stakeholders can suggest projects or priorities to the relevant departments and state agencies, but cannot apply for them themselves. An inter-departmental panel assesses applications and recommends projects to the Minister for Planning who consigns the authorised projects (all public transport projects and community infrastructure projects worth over \$2 million) to the Treasurer for consideration and approval. In addition, the State government uses the Budget to allocate GAIC directly to suitable projects.

### Policy Recommendations

- The alignment of GAIC projects to the wider planning framework, such as the Growth Corridor Plans, Precinct Structure Plans and also Plan Melbourne 2017-2050, should be formalised and transparent.
- A strategic plan or at least some commitment from the state towards infrastructure investment would be beneficial for coordinating sequencing of growth, for using the GAIC more strategically and less "ad hoc" and for making infrastructure spending less politicised.
- Public accountability should be improved by making funding decisions more public and transparent and offering the opportunity for the public to comment. Information could be made more accessible through the Local Government Victoria website; a process which has already commenced.

- The nexus between the GAIC and the different growth areas could be made more binding, by capturing it in legislation or other policy documents. The GAIC is paid by developers and transferred, at least partly, to home purchasers so in principle those paying the GAIC should also be the beneficiaries. The GAIC nexus as it is currently defined is that about the same amount of contributions that will be collected in a growth corridor will be spent in this corridor.
- Clarification should be provided on whether GAIC is supposed to assist funding infrastructure that has already been planned (and budgeted), or whether it can fund infrastructure that would not have been funded in the usual budget process. Is GAIC intended to assist in bringing infrastructure earlier into the suburbs?
- Improve decision-making for buying public land early: calculate the opportunity cost of purchasing land early, and at how much the security of ownership and the lower risk of high prices is valued.
- Reduce the complexity and time associated with reaching an agreement for a land contribution. While there are reasons for the complex and protracted nature of those work-in-kind agreements, there is a strong need to shorten and simplify the process.
- Improve the level of integration and collaboration among state agencies in growth areas planning.

## Methods

This research has been based on:

- a literature review on development contributions and funding mechanisms for infrastructure,
- a document analysis focused on Victoria's development contributions, and
- an analysis of 30 interviews with staff from Victorian state government departments and agencies, local government, developers and consultants

## Limitations

This policy brief is based on the GAIC system in July 2019. Some changes may occur in the future due to internal restructuring and reviews that are under way.

## Context

This policy brief has been developed in the context of a partnership research project at RMIT University with project partners from state and local government, a developer and the Planning Institute of Australia (PIA). The project aims to identify new ways to increase local transport options and improved mobility for residents in new suburbs. This includes developing and testing new early delivery transport models based on the most efficient and equitable use of public and private funding.



## Relevant references

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VPA (2019) GAIC WIK register. Available at: <https://vpa-web.s3.amazonaws.com/wp-content/uploads/2019/04/GAIC-WIK-register-April-2019.docx> Last accessed 19/07/19.