

Final Report

Infrastructure Charges Taskforce
March 2011



Recommended reform of
local government development
infrastructure charging arrangements

Acknowledgements

The Infrastructure Charges Taskforce acknowledges the contributions of KPMG, BDO Queensland Pty Ltd, Integran Infrastructure Management, Aspire Management Consulting, ARUP, the Taskforce Secretariat, Queensland Water Commission, Department of Planning New South Wales, Department of Planning and Community Development Victoria, the Urban Land Development Authority and Queensland Urban Utilities towards the development of the Interim and Final reports for the taskforce.

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Infrastructure Charges Taskforce

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9 MAR 2011

Dear Premier and Deputy Premier

On behalf of the Infrastructure Charges Taskforce, I am pleased to formally present our final report.

The taskforce was established to prepare an independent report to the Queensland Government on the current infrastructure charging regime in Queensland. The taskforce's remit included identifying opportunities to simplify charges and provide greater certainty, as well as consider alternative trunk infrastructure funding arrangements.

The process of developing this report has been highlighted by cooperation and collaboration. I am extremely grateful to the many local governments, peak industry associations, peak representative bodies, members of the development industry, community organisations and individuals who have participated in discussions with us throughout this process, as well as consultation on the taskforce's interim report at the end of last year.

This collaborative process and the constructive feedback received has enabled us to complete our review and deliver 10 final recommendations for reform. The taskforce considers that the 10 recommendations presented in this report provide a strong platform for reform of infrastructure charging in Queensland. Implementation of these recommendations will see an infrastructure charging framework that delivers more certainty, more transparency and accountability, and is more equitable and reasonable, and is simpler and more consistent than that which currently exists in Queensland.

I would particularly like to express my appreciation to my fellow members of the taskforce who have applied their wisdom and energy to this task. I'd also like to acknowledge the work of Growth Management Queensland staff who provided the taskforce's secretariat support and the team of technical advisors who have worked tirelessly to help us deliver this report.

The taskforce would like to encourage the Government to continue a program of ongoing reform in this area.

Finally, I'd like to thank the Queensland Government, on behalf of the taskforce members, for providing us with the opportunity to review Queensland's local infrastructure charging regime.

Yours sincerely



Paul Low
Chair of the Infrastructure Charges Taskforce



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1. Executive summary

On 26 May 2010 the Premier and Minister for the Arts, The Honourable Anna Bligh MP, announced the appointment of an Infrastructure Charges Taskforce (the taskforce).

The taskforce was appointed for up to one year to review the current infrastructure charging regime in Queensland and to prepare a report for Queensland Government consideration.

This included identifying opportunities to simplify charges and to provide greater certainty, as well as to consider viable alternative trunk infrastructure funding arrangements such as third party financing.

This review of infrastructure charges is timely as the Queensland Government has announced ambitious plans around growth management, and current infrastructure charging arrangements have been identified by many stakeholders as one potential impediment to achieving the growth management initiatives being pursued by the Queensland Government.

The taskforce considers that the ten recommendations presented in this report provide a strong platform for reform of infrastructure charging in Queensland. Implementation of these recommendations will see an infrastructure charging framework that delivers more certainty, more transparency and accountability, and is more equitable and reasonable, and is far simpler and far more consistent than that which exists in Queensland right now.

While the taskforce has been keen to ensure that the reforms presented will stimulate development activity in the short term and not seek to inhibit development, the taskforce is equally mindful of the need to have long term, sustained infrastructure charging and planning frameworks. The addition of longer term reforms which maintain the need for good infrastructure planning linked to long term land use planning are critical to ensuring that the momentum and improvement in charge practices achieved through the introduction of standard charges for the first 3 years provides enduring better practice in Queensland.

The taskforce is keen to see the Queensland Government implement the proposed reforms and address the other key finding identified in this report as part of an ongoing program of reform. This work will ensure that the momentum gained, and focus put on these issues by the taskforce is not lost.

The taskforce noted that infrastructure charges comprise one of a number of options for funding infrastructure available to local governments in Queensland. These infrastructure funding options include:

- rates, benefited area arrangements and utility charging
- funding through state and national grants and funding programs
- financing options.

However, infrastructure charges only partially meet the total cost of delivering necessary infrastructure. Any shortfall between the actual cost of providing infrastructure and the amount recovered in infrastructure charges must be funded by alternative means. The taskforce was also mindful that the matter of funding infrastructure will remain a challenge despite revisions to infrastructure charging arrangements.

Similarly, revising infrastructure charging arrangements will not be a panacea to the broader economic conditions prevailing on the development industry, though making the infrastructure charging system more efficient will help to reduce uncertainty and costs associated with the time taken to determine and agree upon charges, which has contributed to delayed development of new homes, shops and commercial facilities.

A report examining a number of alternative financing mechanisms was considered by the taskforce. These included securitised borrowing, special purpose levies and growth area bonds.

The taskforce concluded that alternative financing mechanisms may be appropriate in some circumstances. These circumstances may include a well-defined (in geographic terms) greenfield out-of-sequence residential and commercial development where both the developer and ultimately purchasers are sophisticated enough to understand the consequences of the long term obligations attached to such arrangements. The taskforce observed that this approach has features that are similar to those contained in the Urban Land Development Authority's (ULDA's) interim Infrastructure Funding Framework.

These situations need to be viewed on a case-by-case basis and both local governments and the Queensland Government should be open to proposals of this nature.

Given the limited application of alternative financing mechanisms, the taskforce does not consider that these are a first order issue in terms of its deliberations. Issues such as the level of conditioning attached to developments and the holding costs incurred as a result of the time it takes to bring new developments to market are a higher priority for investigation and action.

In its deliberations, the taskforce applied a high degree of rigour in its review of the current infrastructure arrangements for Queensland. In its consideration of recommendations outlined in this *Final Report of the Infrastructure Charges Taskforce* (final report), the taskforce:

- sought technical advice and analysis on infrastructure charges
- commissioned a report on funding and financing options of local government infrastructure having regard to a number of recent reports prepared by stakeholder groups and the Queensland Treasury Corporation
- received presentations by the ULDA and Queensland Urban Utilities (QUU) as a representative water distributor-retailer outlining specific legislative arrangements applying to their infrastructure charging arrangements
- arranged for literature reviews of interstate infrastructure charging reviews
- considered the differences between legislative frameworks for infrastructure charging operating in other jurisdictions
- sought specialist advice on proposed recommendations to consider transitional and implementation issues.

The taskforce identified a number of issues relating to the current infrastructure charging arrangements as having a significant impact on industry and local government in Queensland. These can be summarised as follows:

- the need for:
 - certainty in the timing, predictability and cost of infrastructure charges payments
 - transparency and equity in determining and apportioning the charge
 - clarity of the cost of infrastructure provision
 - clarity in the infrastructure charges and the way they are calculated
 - consistency in the application of the charges
 - simplicity in infrastructure charging arrangements including streamlining the current priority infrastructure planning process
- consistency in the levels of service standards
- the capability of industry and local government to accommodate these issues
- development conditions and appeals processes.

The taskforce recognises that the South East Queensland distributor-retailers have specific legislative requirements that they must comply with in relation to infrastructure charging.

Similarly the taskforce acknowledged that in some circumstances, under current legislative provisions, local governments also collect infrastructure charges for works to be undertaken on the state-controlled road network. These charges are referred to as local function charges.

In considering standard charging arrangements, the taskforce is aware that local government borrowings in Queensland are assessed against a number of financial metrics, to determine their capacity to service the debt. This is designed to underpin the sustainability of local government finances and protect the community from periodic and painful fiscal adjustments. By implication though, it also provides a quantitative constraint to the extent to which local government can lower infrastructure charges.

The taskforce also acknowledged that the time and costs in implementing priority infrastructure plans (PIPs) and the highly complex process to prepare long term, highly calibrated financial models for infrastructure costing has created uncertainty surrounding current and future infrastructure charges. The process for preparing plans for trunk infrastructure and determining the funding strategy for delivering the required infrastructure needs to be administratively efficient.

The taskforce considers that local governments should continue to prepare plans for trunk infrastructure, regardless of the standard charges regime being introduced.

Interim Consultation Report and feedback

As a result of the above considerations, the taskforce developed recommendations that were included in the Interim Consultation Report (interim report) for consultation as outlined in the feedback form at Appendix 5.

The interim report was released for consultation on 18 November 2010 with the final date for submissions being 15 December 2010. The interim report was published on the web, and a press release announcing its production was made. Targeted consultation was undertaken. As part of this targeted consultation, 25 key stakeholders were invited to provide formal submissions to the taskforce.

A total of 73 submissions was received, including:

- 22 submissions from local government
- 15 from peak industry and professional bodies
- 4 from water entities
- 27 from development industry / property investment sector
- 5 from community organisations and individuals.

Overall the feedback was generally supportive of the recommendations included in the interim report, though further specificity to clarify the intent of recommendations and transitional arrangements was sought. Key issues raised related to the level to set a charge for standard charges for residential development and an appropriate approach for a standard charging arrangement for non-residential development.

This mix of responses enabled effective consideration by the taskforce of both public and private sector perspectives on the benefits and potential impacts of reforms to infrastructure charging arrangements. As a result of considering the feedback, the taskforce has finalised its recommendations to the Queensland Government to improve the current infrastructure charging arrangements and other approaches including streamlining processes, simplifying and standardising charging arrangements where possible.

The outcomes of consultation have been summarised and documented in a separate report: the Consultation Feedback Summary Report (consultation report), which is available via the taskforce website.

Final recommendations

As a result of considering feedback from consultation as outlined above, the taskforce makes the following 10 recommended reforms of local government development infrastructure charging arrangements for consideration by the Queensland Government.

TASKFORCE RECOMMENDATIONS

1. The following principles be adopted as a guide to improving the current infrastructure charging system:
 - a. **Certainty:** Infrastructure charges should be predictable with respect to the quantum and timing and in accordance with the declared regime
 - b. **Transparency and accountability:** Infrastructure charges should be transparent, understandable and defensible. Infrastructure charging regimes should be supported by publicly assessable information regarding the determination of the charges and the allocation of the funds generated
 - c. **Equity and reasonableness:** Infrastructure charges should be shared for the benefit of all Queenslanders with regard to the affordability for the community, industry, government and property owner
 - d. **Simplicity and consistency:** Infrastructure charges should be clearly defined in line with published methodologies and schedules. Infrastructure charges should be derived, collected, held and spent consistently across responsible authorities
 - e. **Efficiency and economic impacts:** Infrastructure charges should not unnecessarily inhibit allocative, administrative or transactional efficiency, so as to facilitate development
2. A maximum standard charges framework be introduced and implemented as follows:
 - a. Maximum standard charges to be differentiated for residential development types
 - b. A maximum standard charge between \$20 000 and \$30 000 per house be set for residential development where water infrastructure is not subject to regulatory pricing
 - c. Maximum standard charges for non-residential development where water and wastewater infrastructure is not subject to regulatory pricing be set within the range as below
 - i. *Accommodation (short term)—maximum 0.5 per standard residential rate*
 - ii. *Accommodation (long term)—maximum as per standard residential rates*
 - iii. *Places of Assembly—range of \$30 to \$70 m² GFA + \$10 per impervious m² for stormwater*
 - iv. *Commercial (bulk goods)—range of \$90 to \$140 m² GFA + \$10 per impervious m² for stormwater*
 - v. *Commercial (retail)—range of \$125 to \$200 m² GFA + \$10 per impervious m² for stormwater*
 - vi. *Commercial (office)—range of \$110 to \$140 m² GFA + \$10 per impervious m² for stormwater*

- vii. *Education Facility*—range of \$115 to \$140 m² GFA + \$10 per impervious m² for stormwater
 - viii. *Entertainment*—maximum \$200 m² GFA + \$10 per impervious m² for stormwater
 - ix. *Indoor Sport and Recreational Facility*—maximum \$200 m² GFA, court areas at \$20 m² GFA + \$10 per impervious m² for stormwater
 - x. *Industry*—range of \$16 to \$50 m² GFA + \$10 per impervious m² for stormwater
 - xi. *High Impact Industry*—range of \$16 to \$70 m² GFA + \$10 per impervious m² for stormwater
 - xii. *Low Impact Rural*—nil charge
 - xiii. *High Impact Rural*—maximum \$20 m² GFA
 - xiv. *Essential Services*—maximum \$140 m² GFA + \$10 per impervious m² for stormwater.
 - xv. *Specialised uses*—use and demand determined at time of assessment.
 - xvi. *Minor Uses*—nil charge
- d. Where a local government can demonstrate for financial sustainability reasons that its unique infrastructure requirements do not support the application of the maximum standard charges for non-residential development outlined above, a specific set of charges may be considered, and in these rare cases, all other aspects of these reforms including transparency, public access to information, escalation, review and the like would apply
- e. Queensland Government, in consultation with local government and the development industry, to be responsible for determining the maximum standard charges for residential and non-residential development.
3. Arrangements should be put in place to manage the payment, distribution and apportionment of charges under the standard charges framework as follows:
- a. Local governments to have the discretion to apply a revenue subsidy to reduce the maximum charge
 - b. Local governments to be responsible for allocating distribution of revenue from charges across local government controlled networks
 - c. Early consideration be given by the Queensland Government to how charges for water and waste water networks will transition from current arrangements to the regulatory pricing arrangements in 2013
 - d. When regulatory water pricing is introduced, local governments and water entities will need to determine the split of infrastructure charges for residential development and non-residential development
 - e. A deferred payment mechanism to be introduced for standard charges.
4. Maximum standard charges for residential development and non-residential development to be applied in a standard planning regime.

5. Maximum standard charges for residential development and non-residential development to be introduced as soon as possible and be set for 3 years from date of commencement with transitional arrangements to be as follows:
 - a. For existing development applications yet to be decided: application of the charging framework in force at the time the decision is made
 - b. For appeals involving infrastructure charging matters that are unresolved at the commencement of the standard charges framework: application of the charging regime in force at the time the development application appeal or infrastructure charges appeal is resolved
 - c. For existing development approvals: the standard charges framework is not to be applied retrospectively.
6. Maximum standard charges for residential development and non-residential development to be escalated annually by the ABS PPI Construction Index—Queensland Roads and Bridges (on a 3-year moving average).
7. Standard charges for residential development and non-residential development to be monitored and an ex-post evaluation conducted.
8. Queensland Government to undertake reforms for infrastructure planning and charging to take effect beyond 3 years that see a sustainable and simplified planning and charging system by providing for:
 - a. A simplification of the existing legislative and regulatory infrastructure planning and charging requirements on local governments
 - b. A sustainable and simplified process for planning and calculating infrastructure charges for residential and non-residential land use beyond 3 years
 - c. A retention of the priority infrastructure area and plans for trunk infrastructure as part of planning schemes for maximum transparency and integration of planning and land use
 - d. Independent review of the scope and appropriateness of local government plans for trunk infrastructure
 - e. The continuation of the state-controlled road network to be part of the planning for the local function charging arrangements.
9. Queensland Government to place a moratorium on the collection on its behalf by local governments of local function charges for 3 years.
10. LGAQ and local governments to explore appropriate improvements to the administration of infrastructure charges, including a publicly accessible standard charges framework that provides:
 - a. information on standard charge rates for residential development and non-residential development
 - b. information on infrastructure charges collected by local governments updated annually.

Other key findings

The taskforce acknowledges that the potential reform of the infrastructure charging regime is only one element of a wider development reform program, which includes improvements to development application assessment timeframes. Any reform of the infrastructure charging regime must be considered in the context of this overall reform agenda.

The importance of infrastructure charging as a significant business regulation and policy matter is reinforced by the release on 25 February 2011 of the Productivity Commission's research report on Performance Benchmarking of Australian Business Regulation: Planning, Zoning and Development Assessments, which includes a significant analysis of infrastructure charging across Australia. In particular, the report notes that Queensland's regime has a number of characteristics that facilitate delivery of infrastructure, including detailed infrastructure plans. It also notes that Queensland's residential infrastructure charges have risen significantly to be the second highest in 2009–2010. The coincident timing of the release of the Commission's report highlights the contemporary nature of the taskforce's deliberations and findings.

During its deliberations, the taskforce noted that the scope of conditioning in development approvals was a source of significant concern for the development industry. The taskforce acknowledged that development conditions were outside the scope of work for which it had been established. However, it was recognised the conditions placed upon development equate to another cost impact on the viability for development.

The taskforce also recognised that a risk may arise if conditions on development were used to offset any financial pressures arising through a standard charges environment.

The taskforce proposes that further work be undertaken to review current arrangements for applying development conditions to consider if improvements can be made to ensure development conditions are fair, reasonable, and consistent.

While appeals processes are outside the scope of the Terms of Reference, the taskforce also recognised the need for further review of appeal arrangements for conditions placed on development. In particular the taskforce is keen for the Queensland Government to consider alternative development approval dispute resolution mechanisms.

A model that may have application in Queensland is that operated by Victorian Civil and Administrative Appeals Tribunal which among other things deals with disputes between people and government (state/local) about planning and land valuation matters. Another model that could provide similar non-judicial review is expanding the role of Building and Development Dispute Resolution Committees (formerly the Building and Development Tribunal) under the *Sustainable Planning Act 2009*.

The taskforce further recognised that a key cost driver for infrastructure costs is the level of design and service standards that are established. It was generally agreed that standards of service should be set at an adequate, consistent and affordable level of service. Appropriateness of design standards is central to determining the cost of providing infrastructure. However, while this is a critical component of the overall infrastructure funding challenge the taskforce recognises that this requires considerable analysis and review as part of ongoing review actions.

In regard to the time taken for bringing new developments to market, the taskforce acknowledged the need to expedite development assessment of large complex projects that have been delayed as a result of excessive or inconsistent charging and conditioning. While also outside the scope of the taskforce's terms of reference the taskforce considered that potentially for development applications for economically significant projects worth \$50 million or more where these are located within an activity centre, recognised under a statutory regional plan, and industrial projects worth \$20 million or more, the use of existing legislative provisions be encouraged to help expedite these types of development.

Further information

More information on the taskforce, including copies of the interim and consultation reports, can be found at: www.dip.qld.gov.au/ICT.

2. Introduction

2.1. About this report

This report proposes a set of recommendations about reforms to current Queensland infrastructure charging arrangements. It will be submitted to the Queensland Government for timely consideration and response.

The structure of this report is designed to:

- provide an introduction outlining the current prevailing economic conditions that have impacted on development activity in Queensland and outlining the establishment and role for the taskforce
- provide an overview to the current infrastructure charging arrangements in Queensland for contextual purposes
- present the final recommendations to reform of the current infrastructure charging arrangements, based on the consideration of feedback from consultation
- present other key findings of taskforce.

2.2. Establishment of the taskforce

Queensland Growth Management Summit

On 30 to 31 March 2010, the Queensland Growth Management Summit (the summit) explored solutions for a way forward and delivered new strategies for the future of a growing Queensland population.

The summit engaged experts and the broader community in an informed dialogue about the issues that need to be addressed to ensure population growth contributes to, rather than diminishes, the prosperity, liveability and sustainability of Queensland. The summit, and consultation processes leading up to the summit, allowed Queenslanders the opportunity to share their views on population growth and provided a range of new ideas for the Queensland Government to consider in the context of the growth management strategy.

The Queensland Government's response to the summit, *Shaping Tomorrow's Queensland*, contained a number of key initiatives across a range of strategic objectives, including the promotion of liveable and affordable communities. Key initiative 10 recommended the establishment of an Infrastructure Charges Taskforce to further reform development infrastructure charging arrangements.

Appointment

On 26 May 2010 the Premier and Minister for the Arts, the Hon Anna Bligh MP announced the appointment of the taskforce for up to one year.

The taskforce was charged with reviewing the current infrastructure charging regime in Queensland and providing recommendations by the end of 2010. This would include identifying opportunities to simplify charges and to provide greater certainty about the level of charges, as well as providing advice on alternative trunk infrastructure funding arrangements such as third party financing.

Members

The taskforce consists of the following members:

- Paul Low (Chair), Chief Executive Officer of Growth Management Queensland
- Jude Munro, AO, former Chief Executive Officer of the Brisbane City Council
- Greg Hallam, PSM, Chief Executive Officer of the Local Government Association of Queensland (LGAQ)
- John Mulcahy, former Chief Executive Officer of Suncorp Metway
- Chris Freeman, AM, former Chief Executive Officer of Mirvac
- Grant Dennis, Executive Chairman of Dennis Family Holdings
- Alex Beavers, Deputy Under Treasurer, Queensland Treasury
- Warren Rowe, PSM, Director, Planning, Environment and Transport, Gold Coast City Council
- Jim Long, Divisional Development Manager, AMP Capital Investors.

Terms of reference

Under the terms of reference, the objectives of the taskforce were to:

- identify current issues relating to the infrastructure planning and funding framework for local government infrastructure in Queensland
- establish a set of principles that will provide the basis for proposing improvements to current arrangements
- consider improvements to the current arrangements and other approaches including streamlining processes, simplifying and standardising charging arrangements where possible.

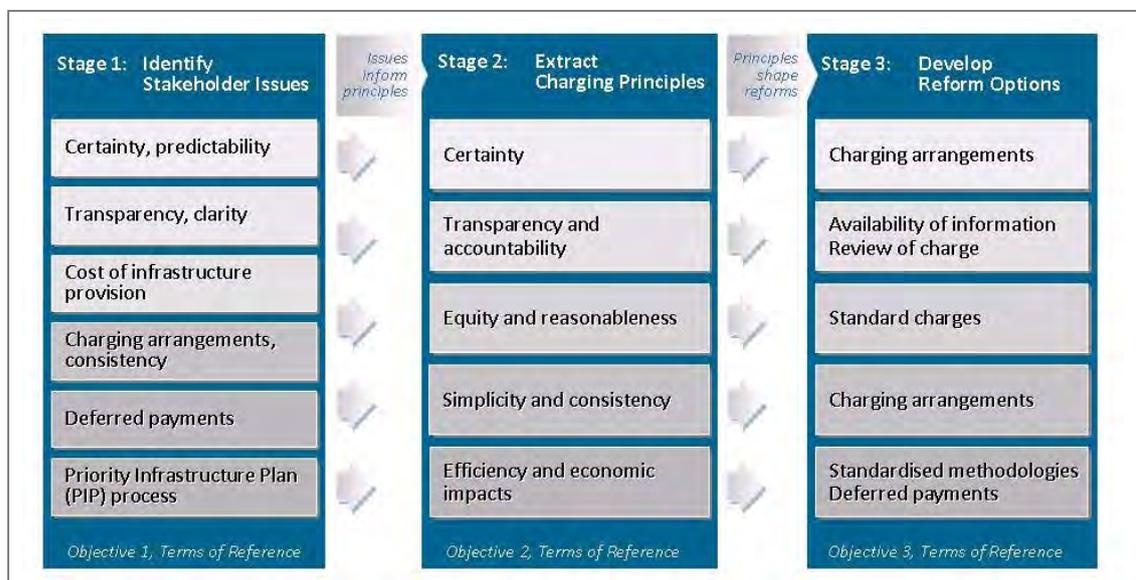
The terms of reference specifically excluded the following options:

- abolishing infrastructure charges
- reviewing infrastructure planning
- reviewing grants and subsidy arrangements
- reviewing development conditions.

Process for developing reform options

The taskforce used a systematic review process when developing the proposed reform options, as illustrated diagrammatically in Figure 1.

Figure 1: Taskforce process for developing recommendations



The process started with identifying stakeholder issues relating to the current infrastructure charging arrangements in Queensland. These were summarised as follows:

- funding, problems associated with funding the full costs of infrastructure provision, and financial impact of infrastructure charges on both industry and local government
- the need for:
 - certainty in the timing, predictability and cost of infrastructure charges payments
 - transparency and equity in determining and apportioning the charge
 - clarity of the cost of infrastructure provision
 - clarity in the infrastructure charges and the way they are calculated
 - consistency in the application of the charge
 - simplicity in infrastructure charging arrangements including streamlining the current priority infrastructure planning process
- consistency in the levels of service standards
- the capability of industry and local government to accommodate these issues
- development conditions and appeals processes.

The taskforce also recognised that regulated entities such as the SEQ water distributor-retailers have separate, specific legislated requirements in relation to managing water infrastructure charging, which will regulate the extent to which a standard charges approach will operate in their circumstances given specific legislated financial performance targets that need to be complied with.

After identification of the key issues, the taskforce then established a set of charging principles. By applying the principles when reviewing stakeholder issues, the taskforce was able to identify, consult on, review and finalise a suite of recommendations to the existing infrastructure charging arrangements.

Operations

The taskforce met throughout June 2010 to February 2011 to address its terms of reference as follows:

- From June to November 2010 the taskforce developed a set of principles and discussed and guided the development of the interim report.
- During November 2010 consultation occurred, based on the interim report.
- From December 2010 to February 2011 the taskforce considered issues raised during the consultation process, and further discussed and developed the final recommendations for this report.

Secretariat support to the taskforce was provided by Growth Management Queensland. taskforce secretariat facilitated relevant technical input into the consideration of infrastructure charging arrangements, including review of issues raised during consultation and research of issues as required.

Considerations during development of this report

The taskforce applied a high degree of rigour in its review of the current infrastructure arrangements in Queensland, and appropriate ways to improve them. Taskforce deliberations were further informed by feedback about the interim report, released for consultation on 18 November 2010.

Throughout its deliberations, the taskforce was mindful of local government financial sustainability while at the same time endeavouring to improve investment confidence and economic activity in the development industry sector. The taskforce was also mindful of transitional issues related to implementation of recommendations outlined in the interim report, which it explored during consultation with stakeholders.

In the preparation of the interim report and in finalising the recommendations in this report, the taskforce:

- sought technical advice and analysis on infrastructure charges and testing of models for standard charging for residential and non-residential development
- commissioned a report on funding and financing options of local government infrastructure having regard to a number of recent reports prepared by stakeholder groups and the Queensland Treasury Corporation
- received presentations by the ULDA and Queensland Urban Utilities as a representative water distributor-retailer, outlining specific legislative arrangements applying to their infrastructure charging arrangements
- arranged for literature reviews of interstate infrastructure charging reviews
- considered the differences between legislative frameworks for infrastructure charging operating in other jurisdictions
- sought specialist advice on proposed reforms in relation to potential transitional and implementation issues.

2.3. Current economic environment

Infrastructure charges are one way of funding the infrastructure needed to service residential and non-residential developments. Not all jurisdictions across Australia use infrastructure charges, although their usage has increased over time.

The economic rationale for infrastructure charges—as opposed to funding infrastructure through the general tax and rating base—is relatively simple. That is, the infrastructure charges ‘price signal’ will encourage the efficient provision of infrastructure by directing new development to where the cost of providing that infrastructure is lowest. In addition, it is regarded as reasonable that those who benefit from the ‘value uplift’ created by the provision of infrastructure should pay for it.

However, a number of conditions need to hold for the rationale of infrastructure charges in terms of efficiency and equity to be matched in practice. If infrastructure charges are overly complex, lack transparency or seek to recover costs for infrastructure provided at a level or standard beyond what the market values it at, then infrastructure charges can adversely impact on the supply of new housing and development activity generally.

To some extent, there has always been an infrastructure funding gap for new development. However, there is some evidence to suggest it has increased over recent years in line with expectations of the level and quality of infrastructure that will be available in new developments.

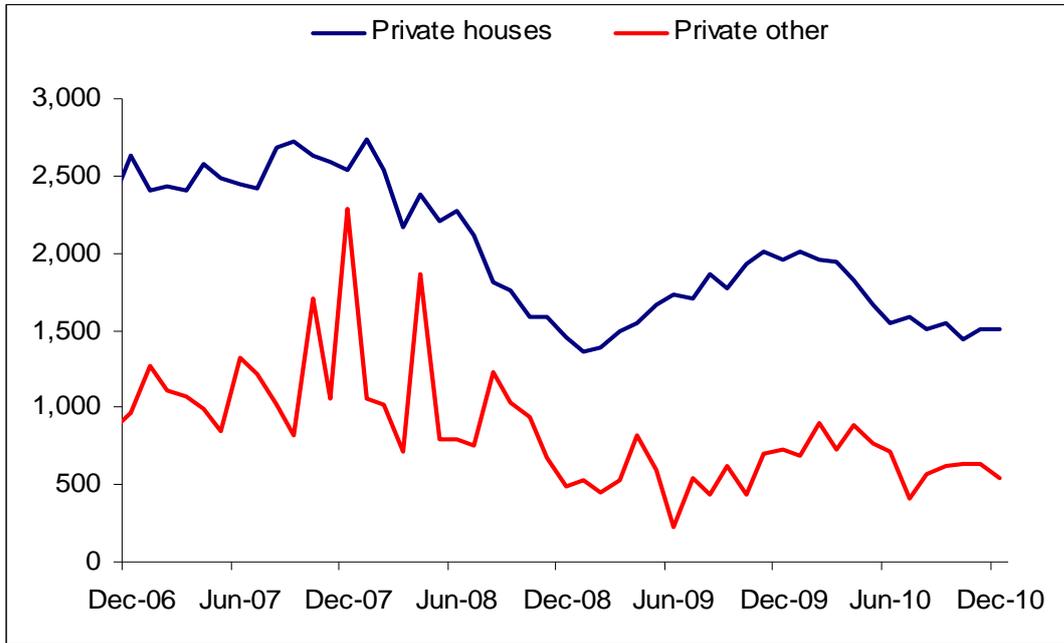
The issue of who should pay for the funding gap then arises, with the public discourse generally focussing on whether it should be developers or the government. In many respects, this is misguided. Infrastructure charges are generally passed on to home buyers and individuals as ratepayers ultimately pay for the government contribution. In the long run therefore, the issue is not the apportionment of costs between developers and government, but rather the apportionment of costs between existing and new home owners.

Ultimately, the particular judgement around apportionment is one for governments. In the interim though, the solution needs to focus on arrangements that do not act as a barrier to development, while at the same time ensuring fiscal sustainability for local government.

This review of infrastructure charges is timely. The Queensland Government has announced ambitious plans around growth management, and current infrastructure charging arrangements have been identified by many stakeholders as one potential impediment to achieving those objectives.

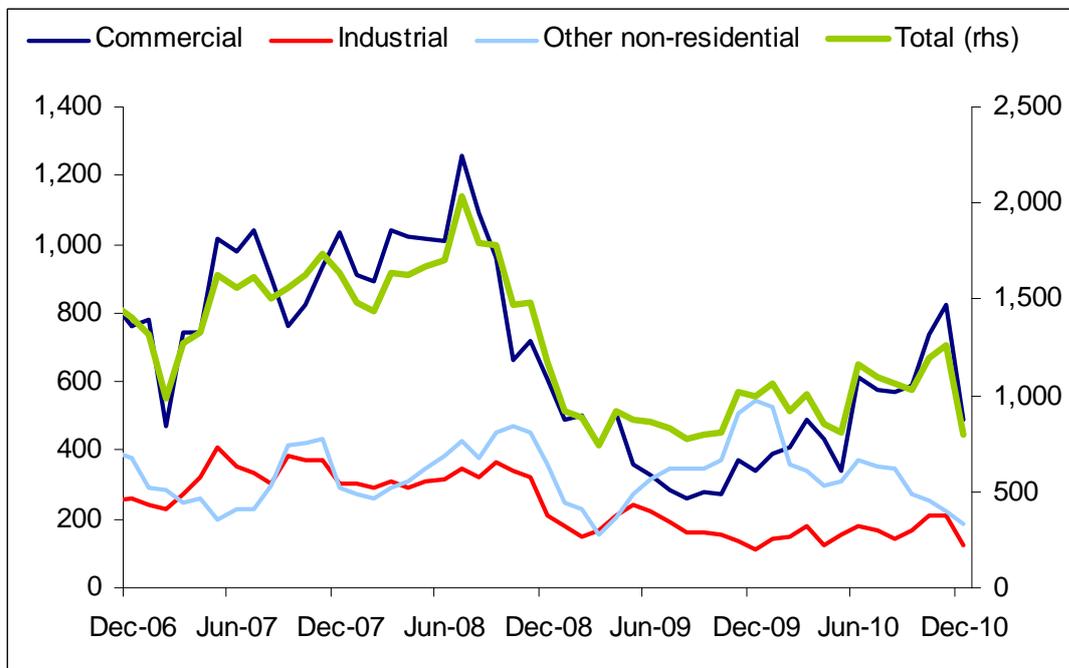
In addition, activity in the dwelling and non-dwelling construction sectors is currently subdued, as evidenced by December 2010 ABS Building Approvals data, as shown in Figure 2 and Figure 3.

Figure 2: Seasonally adjusted dwelling approvals, Queensland 2006–2010.
 Monthly, number



Source: ABS 8731.0

Figure 3: Private non-residential building approvals by sector, Queensland
 Three-month rolling sum, \$million



Source: ABS 8731.0

Queensland's infrastructure charging regime is not the major reason the property market is experiencing a downturn, just as Queensland's infrastructure charging regime was not the reason Queensland outperformed the country for the most part of the last decade. The global financial crisis has resulted in tighter lending conditions and higher financing costs while market participants are more risk averse.

Economic forecasts suggest that activity will remain weak through much of 2010–11 before an increase in mining and business investment and improved labour market conditions underpin a broader based economic recovery in 2011–12.

Over the medium term, Queensland's demographic trends and economic fundamentals are highly supportive of strong levels of investment in both the residential and non-residential sectors.

While infrastructure charges are not the cause of the current downturn, it is true that the long period of economic and credit expansion and property price growth in the years leading up to the global financial crisis was a much more forgiving environment in terms of new developments proceeding. In the current environment, anything that adds to uncertainty is given increased weighting in project investment decisions.

The current downturn has implications for economic growth and employment. A prolonged downturn in housing construction also has longer term implications for housing affordability.

Faced with this set of circumstances, it is important that governments consider all the tools at their disposal to create an environment that facilitates activity. The infrastructure charging regime is a vital interface between government and the development industry.

In this report, the taskforce presents recommendations to simplify, streamline and standardise local government infrastructure charging arrangements as one initiative within the context of the Queensland Government's broader growth management reform agenda.

3. Current infrastructure charging arrangements in Queensland

It is important to understand the current infrastructure charges and funding arrangements in Queensland to comprehend the legislative frameworks that underpin the way in which infrastructure charges are determined and levied. It is within this current legislative framework and funding pressures that reform options to infrastructure charging arrangements can then be considered.

Other infrastructure charging frameworks operating in New South Wales and Victoria were considered and are outlined at Appendix 3. The taskforce recognised that these frameworks are distinctly different and as such, cross-jurisdictional comparison of infrastructure charges amounts is not valid particularly as different types of infrastructure are covered by the different frameworks and different funding and cost recovery strategies operate.

3.1. What is an infrastructure charge?

An infrastructure charge is one of a number of funding mechanisms to help local governments fund the cost of providing infrastructure to support growth and development in their communities. Put simply it is the contribution paid by a developer to a local government towards the cost of providing the infrastructure required to support a development.

3.2. Why do we need infrastructure charges?

Infrastructure charges are used for the administration, planning and construction of works, or for the payment of loans to provide infrastructure.

3.3. How are infrastructure charges levied?

In Queensland, infrastructure charges are levied by the following bodies:

- local governments pursuant to the Sustainable Planning Act and related Statutory Guideline 01/09 for priority infrastructure plans and infrastructure charges schedules
- the Urban Development Land Authority (ULDA) pursuant to the *Urban Land Development Authority Act 2007* and the ULDA's interim Infrastructure Funding Framework
- water distributor-retailers pursuant to the *South-East Queensland Water (Distribution and Retail Restructuring) Act and Other Legislation Amendment Act 2010*—the distributor-retailers may choose to delegate all or part of their infrastructure charging powers to local governments, or enter into agreements for the local governments to undertake some of the collection and accounting for charges.

The infrastructure charging arrangements for each are at Appendix 2, according to the relevant Act.

3.4. Funding

Infrastructure charges comprise one of a number of options for funding infrastructure available to local governments in Queensland. Infrastructure funding options include:

- rates, benefited area arrangements and utility charging
- funding through state and national grants and funding programs
- financing options.

Infrastructure charges only partially meet the total cost of delivering necessary infrastructure. Any shortfall between the actual cost of providing infrastructure and the amount recovered in infrastructure charges must be funded by alternative means.

Changes to infrastructure funding arrangements between federal, state and local governments and a progressively increased focus on user pays are all matters that have influenced the current approach to infrastructure charging. Historically there has been a shift away from a primarily rates-based approach to funding infrastructure to one that is a more user pays-based approach.

Local government cannot fund all the municipal infrastructure that is required to support development and maintain a solid and stable fiscal position. In many respects this is not unlike other areas of public policy, where the level of service provision demanded by the community outstrips the willingness or ability of taxpayers to pay for it.

In the context of the debate about infrastructure provision and charges, this gives rise to alternative financing and funding suggestions. There has been a range of reports written in recent years canvassing these issues.

The taskforce commissioned BDO Queensland Pty Ltd, a consultancy specialising in capital financing arrangements, to undertake a literature review and advise it on the relevance of the various proposals to its current deliberations.

The taskforce considers that while the terms funding and financing are often used interchangeably, their meaning is very different.

As a first principle, there can be little doubt that the most cost effective source of financing for local government in Queensland is through the Queensland Treasury Corporation. Queensland Treasury Corporation issues bonds into the market that are guaranteed by the State of Queensland. This allows local government to access funding at rates much lower than that provided by commercial lenders, which benefits users of local government services and ratepayers.

In this respect, the issue for local government is not *access to finance*. The Queensland Government—through the Queensland Treasury Corporation—can provide local government with all the capital it needs so long as local government can afford to service and repay the debt.

As long as local government remains the provider and operator of infrastructure there would be little point in identifying alternative financing mechanisms for local government—for example, in the form of superannuation funds, special infrastructure bonds and the like. The investors in those bonds would in all likelihood demand a higher rate of return than the Queensland Treasury Corporation borrowing rate.

From a local government perspective, the only reason for accessing alternative financing mechanisms would be if there is a transfer of risk to the financier or investor that offsets the increased funding and administrative cost.

From a broader policy perspective, the merit of alternative financing mechanisms then rests on whether any reduction or delay in payment by the developer/home purchaser increases the number of developments being undertaken and an increase in the supply of housing. If the increase in the supply of housing leads to an increase in affordability that exceeds the higher financing costs (relative to local government borrowing) from the alternative financing mechanism, then society as a whole would be better off.

Presumably though, if local government were compensated at the alternative financing rate its capacity to bring forward infrastructure would similarly be enhanced. Again, this reinforces the view that the financing mechanism is secondary to the issue of how the infrastructure will actually be *paid* for.

A number of alternative financing mechanisms were examined by BDO/the taskforce. These included securitised borrowing, special purpose levies and growth area bonds.

Part of the problem with identifying alternative financing mechanisms used overseas and then seeking to apply them in the Australian context is the different taxing and spending powers applying to levels of government. For example, local and state level government in the United States has access to a broad range of taxes such as personal income, company and property taxes which make tools such as growth area bonds more viable.

The taskforce considers that alternative financing mechanisms may be appropriate in some circumstances. These circumstances may include a well-defined (in geographic terms) out-of-sequence greenfield residential and commercial development where both the developer, and ultimately purchasers, are sophisticated enough to understand the consequences of the long term obligations attaching to such arrangements. The taskforce observed that this approach has features that are similar to those contained in the ULDA's interim Infrastructure Funding Framework.

These situations need to be viewed on a case-by-case basis and both local government and the Queensland Government should be open to proposals of this nature.

Given the limited application of alternative financing mechanisms, the taskforce does not consider that these are a first order issue in terms of its deliberations. Issues such as the level of conditioning attached to developments and the holding costs incurred as a result of the time it takes to bring new developments to market are a higher priority for investigation and action.

4. Final recommendations

In finalising the recommendations in this final report, the taskforce considered feedback received through consultation on 14 recommendations contained in the interim report, as outlined in the feedback form at Appendix 5.

The interim report was released for consultation on 18 November 2010 with submissions closing 15 December 2010. The interim report was published on the web, and a press release announcing its production was made. Targeted consultation was undertaken. As part of this targeted consultation, 25 key stakeholders were invited to provide formal submissions to the taskforce. A total of 73 submissions was received, including:

- 22 submissions from local government
- 15 from peak industry and professional bodies
- 4 from water entities
- 27 from development industry / property investment sector
- 5 from community organisations and individuals.

This mix of responses enabled effective consideration by the taskforce of both public and private sector perspectives on the benefits and potential impacts of reforms to infrastructure charging arrangements.

Overall, the feedback was generally supportive of the recommendations included in the interim report, though further specificity to clarify the intent of recommendations and transitional arrangements was sought. Key issues raised related to the level to set a charge for standard charges for residential development and an appropriate approach for a standard charging arrangement for non-residential development.

As a result of considering feedback received through the consultation process and reviewing the interim report recommendations, the taskforce has further refined and organised its final recommendations into broader thematic groupings.

To assist submitters and other readers understand the rearrangement to recommendations from the interim report to this final report, a table at Appendix 6 outlines the reorganisation and relationship between recommendations in the interim report and this final report.

4.1. Infrastructure charging principles

Final recommendation 1

The following principles be adopted as a guide to improving the current infrastructure charging system:

- a. **Certainty:** Infrastructure charges should be predictable with respect to the quantum and timing and in accordance with the declared regime
- b. **Transparency and accountability:** Infrastructure charges should be transparent, understandable and defensible. Infrastructure charging regimes should be supported by publicly assessable information regarding the determination of the charges and the allocation of the funds generated
- c. **Equity and reasonableness:** Infrastructure charges should be shared for the benefit of all Queenslanders with regard to the affordability for the community, industry, government and property owner
- d. **Simplicity and consistency:** Infrastructure charges should be clearly defined in line with published methodologies and schedules. Infrastructure charges should be derived, collected, held and spent consistently across responsible authorities
- e. **Efficiency and economic impacts:** Infrastructure charges should not unnecessarily inhibit allocative, administrative or transactional efficiency, so as to facilitate development

Discussion

This recommendation affirms the set of principles from the interim report to be adopted as a guide to improving the current infrastructure charging system. Adoption of these principles will address the taskforce terms of reference which sought recommendation on principles.

The taskforce considered that the *certainty* principle related to two key elements:

1. certainty of charges—quantum, timing of payment and escalation
2. certainty of process.

The taskforce also recognised that by improving certainty of charges and process, achievement of the definitions of other principles will also be realised.

The taskforce recognised that charging methodology and process complexity and inconsistency is an issue that results in increased holding costs, time delays and increased risk. In considering improvements to the certainty relating to infrastructure charges the taskforce identified that possible ways of improving this complexity and inconsistency include:

- Establishing standard charges for residential property to improve investment certainty, which will assist to reduce the current constraints associated with securing project finance—this same framework could then be applied to other development types such as industrial or commercial
- Clearly defining the bundle of infrastructure included in the charging methodology
- Establishing a consistent published escalation index from a recognised source for determining increases to infrastructure charges

- Reviewing roads or transport infrastructure charges as these generally form a major component of the total infrastructure charge—this is particularly apparent for non-residential developments
- Providing clarity about local government infrastructure charges discounting, in particular providing clear signals and advice about discounts and rates of discount removal
- Determining an appropriate timing option for the payment of infrastructure charges.

The taskforce considered that the *transparency and accountability* principle related to responsibility for policy setting, review and appeals mechanisms and clearly defined regulated infrastructure contributions that are publicly and easily accessible through websites to provide coverage across all local government areas.

The taskforce recognised that through improved certainty of standard charging arrangements, transparency will be improved by having clearly defined charges including the bundle of infrastructure to be covered by standard charges. Improvements to transparency will be achieved through accessibility to standard charges information and policy oversight to the standard charging arrangements, which are reflected in the final recommendations.

The taskforce considered the *equity and reasonableness* principle related to:

- apportionment—sharing of the cost for providing the required infrastructure, and
- affordability—how the sharing of cost of providing the infrastructure is funded through the various revenue sources available to local governments).

Having regard to the key considerations set out in Table 1 below, the taskforce recognised that equity and reasonableness was the key consideration to achieving certainty of standard charging arrangements by determining an appropriate standard charge.

Table 1: Key considerations relating to equity and reasonableness

Issue	Description
Stormwater	Equity and reasonableness is driven by the extent of planning and network design as well as requirements relating to lawful discharge constraint.
Land for community facilities	Equity and reasonableness is driven by land valuations.
Transport	Equity and reasonableness is driven by the calculation of the transport infrastructure charge including the state's local function charge requirement, which is a significant component of non-residential development (60+%) infrastructure charges.
Water	Equity and reasonableness is driven by managing and sharing the cost of water infrastructure. For SEQ, from 1 July 2013 water infrastructure charges will be determined based upon a regulated entity model and will be subject to specific and legislated regulatory requirements.
Waste water	Equity and reasonableness is driven by managing and sharing the cost of waste water infrastructure. For SEQ, from 1 July 2013 waste water infrastructure charges will be determined based upon a regulated entity model and will be subject to specific and legislated regulatory requirements.

Equity and reasonableness will be achieved by determining an appropriate methodology to set a standard charge point for residential and non-residential development in a standard charges planning area.

The taskforce considered that the *simplicity and consistency* principle related to matters of governance, administration, system efficiency, and appeals processes. Simplicity and consistency will be achieved through improvements to governance, administration, and system efficiency, which are reflected in the final recommendations.

While appeals processes are outside the scope of the terms of reference, the taskforce recognised the need for further review of appeal arrangements for conditions placed on development.

The taskforce considered that the principle of *efficiency and economic impacts* related to ensuring an efficient system under a standard charges regime would reduce costs associated with both the complexity of the current charging process and the related holding costs placed on development.

4.2. Standard charges

Final recommendation 2

A maximum standard charges framework be introduced and implemented as follows:

- a. Maximum standard charges to be differentiated for residential development types
- b. A maximum standard charge between \$20 000 and \$30 000 per house be set for residential development where water infrastructure is not subject to regulatory pricing
- c. Maximum standard charges for non-residential development where water and wastewater infrastructure is not subject to regulatory pricing be set within the range as below:
 - i. *Accommodation (short term)*—maximum 0.5 per standard residential rate
 - ii. *Accommodation (long term)*—maximum as per standard residential rates
 - iii. *Places of Assembly*—range of \$30 to \$70 m² GFA + \$10 per impervious m² for stormwater
 - iv. *Commercial (bulk goods)*—range of \$90 to \$140 m² GFA + \$10 per impervious m² for stormwater
 - v. *Commercial (retail)*—range of \$125 to \$200 m² GFA + \$10 per impervious m² for stormwater
 - vi. *Commercial (office)*—range of \$110 to \$140 m² GFA + \$10 per impervious m² for stormwater
 - vii. *Education Facility*—range of \$115 to \$140 m² GFA + \$10 per impervious m² for stormwater
 - viii. *Entertainment*—maximum \$200 m² GFA + \$10 per impervious m² for stormwater
 - ix. *Indoor Sport and Recreational Facility*—maximum \$200 m² GFA, court areas at \$20 m² GFA + \$10 per impervious m² for stormwater
 - x. *Industry*—range of \$16 to \$50 m² GFA + \$10 per impervious m² for stormwater.
 - xi. *High Impact Industry*—range of \$16 to \$70 m² GFA + \$10 per impervious m² for stormwater
 - xii. *Low Impact Rural*—nil charge
 - xiii. *High Impact Rural*—maximum \$20 m² GFA
 - xiv. *Essential Services*—maximum \$140 m² GFA + \$10 per impervious m² for stormwater.
 - xv. *Specialised uses*—use and demand determined at time of assessment.
 - xvi. *Minor Uses*—nil charge.

- d. Where a local government can demonstrate for financial sustainability reasons that its unique infrastructure requirements do not support the application of the maximum standard charges for non-residential development outlined above, a specific set of charges may be considered, and in these rare cases, all other aspects of these reforms including transparency, public access to information, escalation, review and the like would apply
- e. Queensland Government, in consultation with local government and the development industry, to be responsible for determining the maximum standard charges for residential and non-residential development.

Discussion

This recommendation generally affirms the reforms proposed in the interim report for standardising of charges for residential development, taking into account consultation feedback that:

- regulated water and wastewater infrastructure pricing will have implications once it applies
- local government, and ideally the development industry, be consulted on the charges.

Significantly, this recommendation also proposes that non-residential charges be set and managed like residential charges, i.e. 3 years, escalated etc.

Within South East Queensland, and as outlined in the section on current infrastructure charging arrangements, water and wastewater infrastructure is now the responsibility of the SEQ water distributor-retailers and the ability for the distributor-retailers to apply a standard charge will be subject to the regulators' requirements. Specifically from 1 July 2013, SEQ water distributor retailers will operate under the utility model and in accordance with their Water and Wastewater Network and Services Plans (Water NetServ Plans).

Each WaterNetServ Plan will contain an integrated schedule of charges that will cover both infrastructure charges and water user tariffs, and will reflect the pricing determination approved by the economic regulator for the distributor retailer's revenue regime.

Maximum standard charges for residential development

The taskforce considered a range of options in the interim report relating to setting a charge point for a maximum standard infrastructure charge as it applies to residential developments. The analysis is presented at Appendix 4, comparing current infrastructure charges for a single detached dwelling and a one bedroom unit across a sample of local governments.

It is important to recognise that different local governments apply different cost recovery arrangements and some, by using revenue from their rate base, apply significant discounts to these charges as an initiative to support development activity. A comparison of current residential infrastructure charges levied by representative local governments is included as Table 13 in Appendix 4.

A key issue from consultation was the level that a standard charge is set for residential development. This recommendation has not set a specific charge point but maintains that the charge is set between \$20 000 and \$30 000 for a single detached dwelling (house).

Consultation feedback included strong urging for the taskforce to reach a firm position in relation to the issue of non-residential infrastructure charging, as this sector is seen as a primary driver of sustainable jobs in Queensland.

The taskforce recognised that local government financial sustainability is a key consideration in determining any standard infrastructure charging arrangements. The striking of standard infrastructure charges needs to be fiscally responsible and financially sustainable. Set too low, local government will under-recover money to pay for infrastructure. Set too high, projects will not proceed and housing affordability will be further eroded.

The taskforce considered a range of regimes that may contribute to improved certainty of charges. The charging regime that appears to be most appropriate for application in Queensland includes a regime of standard charges applied subject to:

- standard charges applying in all areas other than special purposes planning areas—those areas declared as master planned areas under the Sustainable Planning Act and urban development areas subject to the Urban Land Development Authority Act
- separation of methods for residential and non-residential land uses
- varying scopes of application for urban and non-urban uses dependent upon the services supplied and/or accessed—for example, recognising the different demands on infrastructure generated by areas with high population densities and development such as suburbs, townships and activity centres (urban) as contrasted with those areas with low population densities and development such as rural and rural residential areas (non-urban)
- an elemental build up of the infrastructure charge based on required infrastructure items (water, storm water, waste water, transport, open space) to allow for separable application or accounting of revenue—this is important to enable proportional allocation between water distributor-retailers and local governments in SEQ.

The taskforce considered the above approach the most suitable as it reflected the different demands generated by the variety of development types on infrastructure requirements.

Taking each element in turn, the taskforce's proposed reform would provide certainty and simplicity by:

- providing a maximum standard infrastructure charge for residential, industrial, commercial and retail development
- adjusting the maximum standard infrastructure charge to remove elements of the maximum charge that do not form part of the infrastructure regime within a given local government area. For example, allowing for different urban and non-urban circumstances, or through transparent administrative discounting.

Table 2 illustrates how the maximum standard infrastructure charge would be adjusted to account for network elements included or excluded from the standard charge. For example, in the context of non-urban residential charges, local government areas typically do not require infrastructure contributions for waste water or storm water. Therefore, in this circumstance, the maximum standard infrastructure charge would be proportionally reduced.

Table 2: *Elements to be included in the maximum standard infrastructure charge*

Category	Type	Water	Waste Water	Storm Water	Transport	Open Space/ Community	LFC
Residential							
Special Purpose Planning Regime e.g. UDA	Urban	N/A	N/A	N/A	N/A	N/A	N/A
	Non Urban	N/A	N/A	N/A	N/A	N/A	N/A
Standard Planning Regime	Urban	✓	✓	✓	✓	✓	–
	Non Urban	Varies	✗	✗	✓	Varies	–
Non Residential							
Special Purpose Planning Regime e.g. UDA	Retail	N/A	N/A	N/A	N/A	N/A	N/A
	Commercial	N/A	N/A	N/A	N/A	N/A	N/A
	Industrial	N/A	N/A	N/A	N/A	N/A	N/A
Standard Planning Regime	Retail	✓	✓	✓	✓	✗	–
	Commercial	✓	✓	✓	✓	✗	–
	Industrial	✓	✓	✓	✓	✗	–

Varies - Standardised Charge would be applied where trunk services exist and demand is placed on the network
 N/A Means that a regime for infrastructure charging other than the Standardised Charge will apply to fund infrastructure delivery.
 – LFC proposed to not be collected for 3 years pending review

The taskforce was mindful that any determination of a standard charge point must not negatively impact on local government borrowings, which are assessed using a number of financial metrics to determine their capacity to service the debt. This in turn provides a quantitative constraint to the extent to which local government can reduce infrastructure charges. Similarly, the charge point must not negatively impact on the commercial viability of developments.

Balancing the impact of the level of the maximum standard infrastructure charge on the fiscal position of local governments and the impact activity in the property sector, the taskforce considers that a residential infrastructure charge below \$20 000 or above \$30 000 is not suitable. Hence, the taskforce concluded that a range of possible standard infrastructure contributions for a single detached dwelling is from \$20 000 to \$30 000.

Two distinct schools of thought emerged during taskforce deliberations on how the residential charge could be differentiated by product type. The taskforce has not reached agreement on the preferred way of apportioned demand between residential development types. Instead, this report sets out the key elements of both schools of thought.

The first school of thought was to apply a flat charge of \$30 000 per dwelling to all dwellings including units with the exception of genuine one bedroom dwellings which would be charged half the flat rate. The second school of thought was to apply a proportional charge based on the dwelling type. This would see:

- a house being charged 1.0 equivalent demand units (EDU)
- a four bedroom or more unit being charged 1.0 EDU
- a three bedroom unit being charged 0.85 EDU
- a two bedroom unit being charged 0.75 EDU
- a one bedroom unit being charged 0.6 EDU
- a duplex being charged 0.6 EDU.

Details about the apportionment of costs if this second school of thought is adopted are set out in Appendix 4.

Maximum standard infrastructure charges for non-residential development

The taskforce identified that the application of a maximum standard infrastructure charge for non-residential development under a standard planning regime is an area of far greater complexity than residential due to the range and scale of development types.

The wide range in charges is illustrated in the analysis presented at Appendix 4, which compares current non-residential infrastructure charges for retail, office and industrial uses levied by representative local governments.

Table 3 compares current infrastructure charges across a sample of local governments. The analysis shows that transport charges account for a significant proportion of the overall charge for non-residential. Note that contributions for open space and the local function charge have been excluded.

Table 3: Current non-residential infrastructure charges for selected local governments

	Logan City	Brisbane	Ipswich	Townsville	Gold Coast	SCRC (Maroochy)	Cairns	FCRC (Hervey Bay)
Shopping Centre	\$192	\$524	\$118	\$336	\$375	\$240	\$269	\$160
Office	\$72	\$251	\$108	\$95	\$131	\$136	\$123	\$83
Industry	\$39	\$165	\$24	\$46	\$73	\$51	\$136	\$46

Source: Integran

Notes:

- Based on PSP charge rates applicable at the time from the Integran (2009) Infrastructure Charges Comparison report for Gold Coast City Council.
- Rates indexed to 2010 Dollars
- Rates are per square metre GFA, and are based on water, sewerage and roads (Council) only. Stormwater, parks, roads (state-controlled) and public transport are excluded from these rates.

The taskforce considered a range of options for how a standard charges approach for non-residential may operate. In coming to a recommendation, the taskforce recognised the complexity of the issue and noted that there is no one simple way of applying broad brush charges to non-residential development. The taskforce has recommended a maximum charge be set for non-residential development types and for ease of communication has grouped similar land uses into groupings around the Queensland Planning Provisions (QPP) land uses.

In recommending a maximum charge the taskforce recognises that given the scope and variability of development applications coming forward under these non-residential categories there will be 'one off' or 'anomalous' developments. Local governments will need to apply a common rational approach in quantifying the uses in these specialised developments.

Parties need to expect that in some cases infrastructure charges levied under these specialised arrangements may be below the maximum charges. In the case of these infrequent development applications coming forward under the specialised use groupings, local governments should apply a common sense approach to determining charges. This will involve determining the component parts of the land use and applying relative charges as set out elsewhere in the groupings on non-residential charges. For example, in a tourist facility application, the retail component of the development would attract the retail charge rate, the office component would attract the office charge rate and so on.

The non-residential grouping of land uses also includes short and long term accommodation, which will apply a modified charging rate that is based on the standard residential development charges. Due to the more complex nature of these commercial and integrated accommodation land uses, it was considered appropriate to include these in the non-residential grouping to more accurately and fairly define the charge. To assist in implementing the standard charges regime, guidance material will be prepared that will explain how to apply the standard charges and explain a clear and consistent method of analysing complex land use proposals. Implementation will also deal with where a service is provided to the premises, crediting for existing uses, offsets for contributed trunk assets and other typical protocols which surround the determination of a charge on development.

The taskforce has on the basis of reviewing the true costs of infrastructure provision and using averaged apportionment methods recommended that groupings of non-residential land uses and the applicable maximum charges should be in the range as detailed below:

Groupings	Applicable maximum charges
<i>Accommodation (Short Term)</i> includes hotel, tourist park and short term accommodation	Maximum 0.5 standard applicable residential rate
<i>Accommodation (Long Term)</i> includes community residence, hostel, relocatable home park, and retirement villages	<ul style="list-style-type: none"> ■ Maximum as per standard residential rates
<i>Places of Assembly</i> includes club, community use, function facility, funeral parlour, place of worship)	<ul style="list-style-type: none"> ■ Range of \$30 to \$70 m² GFA (combined Water, Sewerage, Transport, Parks), plus ■ \$10 per impervious m² (Stormwater)
<i>Commercial (Bulk Goods)</i> includes agricultural supplies store, bulk landscape supplies, garden centre, hardware and trade supplies, outdoor sales, showroom	<ul style="list-style-type: none"> ■ Range of \$90 to \$140 m² GFA (combined Water, Sewerage, Transport, Parks), plus ■ \$10 per impervious m² (Stormwater)
<i>Commercial (Retail)</i> includes adult store, food and drink outlet, service industry, service station, shop, shopping centre	<ul style="list-style-type: none"> ■ Range of \$125 to \$200 m² GFA (combined Water, Sewerage, Transport, Parks), plus ■ \$10 per impervious m² (Stormwater)
<i>Commercial (Office)</i> includes office, sales office	<ul style="list-style-type: none"> ■ Range of \$110 to \$140 m² GFA (combined Water, Sewerage, Transport, Parks), plus ■ \$10 per impervious m² (Stormwater)
<i>Education</i> includes child care centre, community care centre, educational establishment, home based business	<ul style="list-style-type: none"> ■ Range of \$115 to \$140 m² GFA (combined Water, Sewerage, Transport, Parks), plus ■ \$10 per impervious m² (Stormwater)
<i>Entertainment</i> includes hotel (non-residential component), nightclub, theatre	<ul style="list-style-type: none"> ■ maximum charge of \$200 m² GFA (combined Water, Sewerage, Transport Parks), plus ■ \$10 per impervious m² (Stormwater)

Groupings	Applicable maximum charges
<p><i>Indoor Sport and Recreational Facility</i> (areas excluding courts @ \$200 m² GFA)</p>	<ul style="list-style-type: none"> ▫ Courts at \$20 m² GFA, plus ▫ \$10 per impervious m² (Stormwater)
<p><i>Industry</i> includes low impact industry, medium impact industry, research and technology industry, rural industry, warehouse, waterfront marine industry</p>	<ul style="list-style-type: none"> ▫ range of \$16 to \$50 m² GFA (combined Water, Sewerage, Transport, Parks), plus ▫ \$10 per impervious m² (Stormwater)
<p><i>High Impact Industry</i> includes high impact industry, noxious and hazardous industries</p>	<ul style="list-style-type: none"> ▫ range of \$16 to \$70 m² GFA (combined Water, Sewerage, Transport, Parks), plus ▫ \$10 per impervious m² (Stormwater)
<p><i>low impact rural</i> includes animal husbandry, cropping, permanent plantations, wind farm</p>	<ul style="list-style-type: none"> ▫ Nil charge (covered by Residential Access requirement)
<p><i>High Impact Rural</i> (GFA of any intensive industrial production facility, e.g. washing and packaging, processing, refrigeration) includes aquaculture, intensive animal industries, intensive horticulture, wholesale nursery, winery</p>	<ul style="list-style-type: none"> ▫ maximum charge of \$20 m² GFA (Transport only)
<p><i>Essential Services</i> includes correctional facility, emergency services, health care services, hospital, residential care facility, veterinary services</p>	<ul style="list-style-type: none"> ▫ Maximum charge of \$140 m² GFA (combined Water, Sewerage, Transport Parks), plus ▫ \$10 per impervious m² (Stormwater)
<p><i>Specialised Uses</i> includes air services, animal keeping, car park, crematorium, major sport, recreation and entertainment facility, motor sport, outdoor sport and recreation facility, port services, tourist attraction, utility installation, extractive industry</p>	<ul style="list-style-type: none"> ▫ Use and demand determined at time of assessment. A clear and consistent method of analysing the use and its component against the relative rates for those specific uses is determined, proportioned and aggregated to form a new rate for the <i>Undefined</i> use, plus ▫ \$10 per impervious m²
<p><i>Minor uses</i></p>	<ul style="list-style-type: none"> ▫ No charge for advertising device, cemetery, home based business, landing, market, non-residential workforce accommodation, roadside stalls, telecommunications facility, temporary use, park, outdoor lighting.

Where a GFA rate is being applied to an existing activity the charge would only apply to additional or incremental GFA. GFA is as defined in the Queensland Planning Provisions.

The taskforce also considered that there might be certain circumstances where an existing, established and mature council may by virtue of its unique infrastructure needs, have a case to apply maximum charges outside the range suggested. Such an increase should only be considered by the Queensland Government where that local government can demonstrate that for a financial sustainability reason that there is a compelling case to charge above the standard maximum. In the rare case where a local government can demonstrate the need to do this, all other aspects of the reforms outlined in this report should apply including transparency, public access to information, escalation, review and the like.

4.3. Charges payment, distribution and apportionment

Final recommendation 3

Arrangements should be put in place to manage the payment, distribution and apportionment of charges under the standard charges framework as follows:

- a. Local governments to have the discretion to apply a revenue subsidy to reduce the maximum charge
- b. Local governments to be responsible for allocating distribution of revenue from charges across local government controlled networks
- c. Early consideration be given by the Queensland Government to how charges for water and waste water networks will transition from current arrangements to the regulatory pricing arrangements in 2013
- d. When regulatory water pricing is introduced, local governments and water entities will need to determine the split of infrastructure charges for residential development and non-residential development
- e. A deferred payment mechanism to be introduced for standard charges.

Discussion

This recommendation generally affirms the reforms proposed in the interim report for management of payments, distribution and apportionment of charges. This recommendation incorporates the following changes:

- enables distribution of revenue across networks on a local government by local government needs basis
- reflects the emerging issue around the interface between water infrastructure and other infrastructure charges and the need to have clarity on transitional approach
- reflects need for SEQ local governments and SEQ water entities to be clear about the level of charges once deterministic pricing is introduced and the split of revenue between SEQ Local governments and SEQ water entities.

As with final recommendation 2, this recommendation also sees coverage of both residential and non-residential.

Under current legislative requirements the introduction of a Regulated Infrastructure Charge is decided by the local government. The standard charges approach recommended by the taskforce will apply across all local governments. Local governments will continue to have the discretion to apply revenue policy to set a lower charge, however this will need to be published to provide transparency and certainty relating to the time period any lower charge may be operational. This could involve discounting the maximum charge.

Consultation feedback on the interim report identified concerns raised by SEQ water distributor-retailers over the implications for their management of a standard charging arrangement where the SEQ water distributor-retailers operate under a utility model. The taskforce has made specific reference for the consideration of the SEQ water entity regulatory arrangements as part of this recommendation.

In relation to the deferred payment approach, the taskforce recognised that infrastructure charges are one of the more variable and uncertain cost elements in a development project. Typically this cost must be borne at the early stages of the project, usually before any positive cash flow is realised. This adds significant financing costs to the project, which in turn negatively impacts on the ultimate affordability to the property owner, particularly for affordable housing projects. This burden could be eased if the payment of the infrastructure charge was deferred rather than paid up front.

Key features of a deferred payment are that it must be offered by local government and be optional for the payer of the charge to take up. If payers wish to pay up front then this should be accommodated as should the ability to pay through an agreement where issues like altering payment terms by instalment can be managed.

The mechanics of the implementation will need to be carefully considered and resolved as there are likely to be differences in the timing of payment for residential, non-residential, reconfiguration of lots and material changes of use. Issues associated with securitisation will also need careful consideration.

Having considered the various benefits and costs associated with progressive and deferred payments for infrastructure charges in the interim report and from consultation feedback, the taskforce maintains its view that deferral of payments is beneficial. This provides cash flow certainty to the development industry, while local governments are able to manage the deferred cash flow adequately subject to appropriate security of payment being established.

There were also issues raised through consultation regarding the administration of a deferred payment arrangement. The taskforce has recommended at final recommendation 10 that local governments are to explore appropriate improvements to administrative arrangements.

4.4. Where charges apply

Final recommendation 4

Maximum standard charges for residential development and non-residential development to be applied in a standard planning regime.

Discussion

This recommendation affirms the reform proposed in the interim report for maximum standard charges for residential and non-residential land uses to be applied in standard planning regime. Adoption of this recommendation means that areas declared as master planned areas under the Sustainable Planning Act (master planned areas) and urban development areas subject to the Urban Land Development Authority Act (urban development areas) will continue to be subject to site specific infrastructure charging regimes.

After considering consultation feedback on the interim report, the taskforce collectively maintained its position that the standard planning regime does not include urban development areas and master planned areas due to the significant infrastructure requirements and unique planning circumstances that apply to these. The taskforce considered that infrastructure charging arrangements in these areas would continue to be determined by the relevant planning authority—noting that the planning authority may determine to apply the standard charges regime.

Another key issue raised through consultation concerned the overall funding implications for infrastructure where a standard charging approach may further reduce revenue received from developments. Such concerns with reduced revenue are addressed in part by final recommendation 7 which recommends that monitoring and an ex-post evaluation be undertaken to assess any revenue and funding implications.

4.5. Time period and transitional arrangement

Final recommendation 5

Maximum standard charges for residential development and non-residential development to be introduced as soon as possible and be set for 3 years from date of commencement with transitional arrangements to be as follows:

- a. For existing development applications yet to be decided—application of the charging framework in force at the time the decision is made
- b. For appeals involving infrastructure charging matters that are unresolved at the commencement of the standard charges framework—application of the charging regime in force at the time the development application appeal or infrastructure charges appeal is resolved
- c. For existing development approvals—the standard charges framework is not to be applied retrospectively.

Discussion

This recommendation broadens the reforms proposed in the interim report to clarify that a standard charge applies to residential and non-residential development for 3 years.

Stakeholders were generally supportive of a standard charging regime being in place for 3 years, however with some concerns over transitional arrangements as to when the standard charges should apply. In consideration of feedback, this recommendation specifies key transitional arrangements for the application of the standard charges.

Advice provided to the taskforce on transitional arrangements as to when standard charges should apply, identified the following options:

- allow section 317 of the Sustainable Planning Act to operate in the normal way (i.e. for local government to give such weight to a planning instrument, code, law or policy that comes into effect before the application reaches the decision stage of the integrated development assessment system)

- legislate to apply the infrastructure charging regime current as at the time the application was made (i.e., there would be no application of section 317 of the Sustainable Planning Act)
- legislate to confirm that the charging regime applying at the time the decision on the development application is made is the one that will apply.

While the choice of option is ultimately a policy matter for the Queensland Government, in considering consultation feedback and the options available, the taskforce supported that development applications where a decision has not been made should be eligible for standard charges on their commencement.

The taskforce is also mindful of the need to introduce reforms as quickly as possible in order to stimulate the development industry and provide certainty to industry and to local government. The taskforce is therefore encouraging the government to expedite any necessary legislative amendments needed to introduce the reforms recommended in this report.

4.6. Escalation

Final recommendation 6

Maximum standard charges for residential development and non-residential development to be escalated annually by the ABS PPI Construction Index—Queensland Roads and Bridges (on a 3-year moving average).

Discussion

This recommendation generally affirms the reforms proposed in the interim report for the annual escalation of the maximum standard charges by a specified cost index. As with the other final recommendations concerning standard charges reforms, this recommendation applies to residential development and non-residential development.

The taskforce presented various methodologies in the interim report for the escalation of the maximum standard infrastructure charge infrastructure in order to achieve temporal certainty. The taskforce believes that any escalation factor must be independently derived, publicly available and fit for purpose (i.e. reflect the variables relevant to the infrastructure networks).

In the interim report, the taskforce recommended that the maximum standard infrastructure charge should be fixed for 3 years with annual escalation of the charge by a 3-year moving average of the *Australian Bureau of Statistics Producer Price Index (ABS PPI) Construction Index—Queensland Roads and Bridges*. This arrangement will provide industry with the capacity to assess with a high degree of accuracy the liability for infrastructure charges at a point in time and/or under a range of development outcomes.

The ABS PPI *Construction Index—Queensland Roads and Bridges*, which measures changes in costs associated with the type of infrastructure that is reported, is most aligned with the type of local government infrastructure networks covered by the infrastructure charging regime. Other alternative cost indexes considered by the taskforce included the Consumer Price Index (CPI), the broader *Producer Price Index Construction Index—Queensland and Rawlinson's Index*.

Further, to reduce the effect of short-term fluctuations to the series, a 3-year moving average of this index is suitable. Table 4 shows the annual escalation factor derived from this index.

Table 4: Three-year rolling average: PPI Construction Index—Queensland Road and Bridges

Year	PPI Roads and Bridges—Qld	Year	PPI Roads and Bridges—Qld
June 2002	3.2%	June 2007	6.0%
June 2003	3.4%	June 2008	7.8%
June 2004	5.1%	June 2009	6.0%
June 2005	5.5%	June 2010	5.2%
June 2006	6.8%		

Source: Australian Bureau of Statistics

Consultation feedback on the interim report was generally supportive of the annual escalation of standard charges by a specified cost price index. Other key issues raised through consultation feedback on this reform related to regional variances for escalation, timeframes, and capping of escalation rate.

The taskforce is of the view that any concerns over the escalation rate should be addressed through the monitoring and review process proposed by final recommendation 7 below.

4.7. Monitoring and evaluation

Final recommendation 7

Standard charges for residential development and non-residential development to be monitored and an ex-post evaluation conducted.

Discussion

This recommendation generally affirms the reforms proposed in the interim report for standard charges to be monitored and an ex-post evaluation to be conducted. The taskforce considers that when conducting the evaluation, it is important that it be underpinned by a full benefit cost analysis of the impacts of the standard charges framework, and that the evaluation seeks to examine the combined effect of the reforms proposed in this report coupled with the benefits of other reforms to the development and planning system. As with other final recommendations concerning standard charges reforms, this recommendation applies to residential development and non-residential development.

Stakeholders were generally supportive of this reform in the consultation feedback on the interim report. Stakeholders from local government and the development industry also wanted to be consulted as part of the monitoring and review process. The SEQ water distributor-retailers had concerns with being faced with an unnecessary administrative burden if involved in the monitoring and ex-post evaluation.

The taskforce acknowledges the impact of infrastructure charges on activity in the property development sector and recognises this reform as being important to the fiscal position of local government.

In the interim report, the taskforce determined that setting the standard charges for 3 years would provide sufficient time to monitor and evaluate the economic and financial outcomes arising from the standard charges regime, and to consider any cyclical changes to the economic environment or regulatory requirements. The taskforce's position remains the same for this recommendation.

4.8. Infrastructure planning and charging reforms beyond 3 years

Final recommendation 8

Queensland Government to undertake reforms for infrastructure planning and charging to take effect beyond 3 years that see a sustainable and simplified planning and charging system by providing for:

- a. A simplification of the existing legislative and regulatory infrastructure planning and charging requirements on local governments
- b. A sustainable and simplified process for planning and calculating infrastructure charges for residential and non-residential land use beyond 3 years
- c. A retention of the priority infrastructure area and plans for trunk infrastructure as part of planning schemes for maximum transparency and integration of planning and land use
- d. Independent review of the scope and appropriateness of local government plans for trunk infrastructure
- e. The continuation of the state-controlled road network to be part of the planning for the local function charging arrangements.

Discussion

This recommendation generally affirms the reforms proposed in the interim report for a sustainable and simplified planning and charging system and seeks their application beyond the 3-year standard charges period recommended in this report. The taskforce is of the view that further consideration by the Queensland Government of reforms beyond 3 years needs to be a collaborative approach involving local government and the development industry.

The taskforce is of the view that there is significant complexity in the current legislative framework that has been established for infrastructure planning and charging currently in operation under the Sustainable Planning Act and previously under the *Integrated Planning Act 1997*, which is inhibiting simplicity and standardisation of charges due to their inextricable link.

As part of its deliberations for the interim report, the taskforce considered the current trunk infrastructure planning arrangements. The taskforce recognised through taskforce meetings, presentations and consultation the importance of infrastructure planning work that has been done to date and the need to maintain the integration between infrastructure and land use planning.

However, the delays in implementing PIPs and the highly complex process to prepare long term, highly calibrated financial models for infrastructure costing has created uncertainty surrounding current and future infrastructure charges. The associated time and cost to local government to prepare initial PIPs is acknowledged as being high. The current processes appear to be substantially delaying or in some cases actually preventing developments from proceeding.

Notwithstanding, the process for preparing plans for trunk infrastructure and determining the funding strategy for delivering the required infrastructure needs to be administratively efficient. For administrative consistency within local governments, the taskforce suggests that the preparation and review of the plans for trunk infrastructure should align with the current requirements for local governments to prepare asset management plans.

Determining infrastructure requirements and costs are an important prerequisite for local government asset management plans and long term cash flow forecasts. The taskforce recognises that a plan for trunk infrastructure is a very valuable tool to better inform local government of their infrastructure funding needs.

The taskforce considers that local governments continue to prepare plans for trunk infrastructure, regardless of the standard charges regime being introduced.

The taskforce considers this will be a more efficient process by enabling local governments to continue preparing plans for trunk infrastructure, which are important for business management purposes, while removing the need for interrogation of the financial models that were required to generate charges calculations.

Under the standard infrastructure charging regime the need for modelling is not required for charging purposes but may well be undertaken by local government to determine the funding gaps that may result from the implementation of the standard charges. This will enable implementation of a process to monitor the standard charges, by establishing an initial revenue baseline and comparing actual and calculated revenue over the 3-year period.

This recommendation provides a pathway for Government to work towards overhauling the existing infrastructure planning and charging framework so that at the conclusion of the 3 year period of standard charges, local governments move to a more sustainable, yet simplified and standardised infrastructure planning and charging regime. This recommendation flags that in the design of the system after the completion of the 3-year period there is value in local governments retaining the priority infrastructure areas and the plans for truck infrastructure. It also flags that there is less value in retaining other elements of the existing PIP process. Consultation feedback results indicate a clear view that the existing infrastructure planning work is valuable and reinforces the need for local governments to understand their long term infrastructure funding needs.

This recommendation also identifies that beyond 3 years, if the plan for trunk infrastructure becomes the basis on which charges are calculated, then as part of the reform process there should be an independent mechanism to review the scope and appropriateness of what is included in the plans for trunk infrastructure. The focus of the review should be on design and service standards which influence the cost of infrastructure. This is an important part of a long term sustainable approach given the reliance on plans for trunk infrastructure as the basis for charging calculations. Given the long lead times to prepare plans for trunk infrastructure and the need to have plans in place before the expiry of the 3 years recommended for standard charges, this independent review mechanism should be put in place early.

This recommendation also flags that there is merit in retaining the planning for state roads infrastructure as part of a network.

4.9. Local function charges

Final recommendation 9

Queensland Government to place a moratorium on the collection on its behalf by local governments of local function charges for 3 years.

Discussion

This recommendation generally affirms the reform proposed in the interim report concerning local function charges (LFCs) and clarifies that a moratorium will be applied to the collection of LFCs for the standard charges regime's 3-year implementation period.

LFCs represent the local use of the state-controlled road network. While a valid policy notion, LFCs in some circumstances contribute to a significant proportion of infrastructure charges—particularly for non-residential development. Consultation feedback was generally supportive of a cessation of collection of LFCs for 3 years, with some stakeholders calling for a longer duration.

Adoption of this recommendation will alleviate some of the cost pressures on the development industry, though the funding of the works required will still need to be addressed through other revenue sources to enable transport infrastructure required for development to be provided to ensure a safe and operational road network.

4.10. Administration

Final recommendation 10

LGAQ and local governments to explore appropriate improvements to the administration of infrastructure charges, including a publicly accessible standard charges framework that provides:

- a. information on standard charge rates for residential development and non-residential development
- b. information on infrastructure charges collected by local governments updated annually.

Discussion

This recommendation affirms the reforms proposed in the interim report for improving administrative arrangements and accessibility to charges information.

Consultation feedback on the interim report was generally supportive of the LGAQ and local governments exploring improvements to the administration of infrastructure charges. In consideration of the consultation feedback, the taskforce recognised that an efficient system would reduce costs associated with both the complexity of the current charging process, and the related holding costs placed on development.

The taskforce accepts that while local governments continue to administer the collection and allocation of infrastructure charges, there may be opportunities under a standard charges regime to improve the efficiency of charges administration.

This recommendation proposes that a more efficient and effective charge administration process be explored by the LGAQ and local governments to maximise the administrative benefits arising from a standard charges regime.

This recommendation also includes the requirement for local governments to disclose infrastructure charges revenue collections on an annual basis for improved transparency and understanding of overall infrastructure funding arrangements.

5. Other key findings

The taskforce acknowledges that the potential reform of the infrastructure charging regime is only one element of a wider development reform program, which might include improvements to development application assessment timeframes.

Any reform of the infrastructure charging regime must be considered in the context of any broader reform agenda. In this context, the taskforce noted that the pending Premier's Building Revival Forum to be held in mid 2011 will likely also address some of the associated issues in the wider development reform program.

The taskforce also noted the release on 25 February 2011 by the Productivity Commission of its draft research report on Performance Benchmarking of Australian Business Regulation: Planning, Zoning and Development Assessments, which includes a significant analysis of infrastructure charging across Australia.

The report examines the regulatory frameworks of each jurisdiction including the bases for assessing developer contributions. The report identifies numerous leading practices which can contribute to smoother processes and improved outcomes including applying consistent and efficient criteria to determine the level of developer contributions to infrastructure costs.

The report notes that the regimes in Victoria, Queensland and South Australia have a number of characteristics that facilitate delivery of infrastructure, including detailed infrastructure plans. It also notes that Queensland's residential infrastructure charges have risen significantly to be the second highest in 2009–2010, and that New South Wales and Queensland had the highest infrastructure charges applying to commercial and industrial land and Victoria had the lowest charges.

The release of the Productivity Commission's report underscores the importance of infrastructure charging as a significant business regulation and policy matter and its coincident timing highlights the contemporary nature of the taskforce's deliberations and findings.

5.1. Development approval conditions and conditions review

During its deliberations, the taskforce noted that the scope of conditioning in development approvals was a source of concern for the development industry.

The taskforce acknowledged that development conditions were outside the scope of work for which it had been established. However, it was recognised the conditions attached to development approvals equate to another cost impact on the viability of development. While the focus of the taskforce is infrastructure charges, the cost shifting from charges to conditions has an equally significant economic impact on project viability.

The taskforce also recognised that a risk may arise if conditions attached to development approvals were used to offset any reduced revenues through the implementation of a standard charging regime.

The taskforce proposes that further work should be undertaken to review current arrangements for applying infrastructure provision related development conditions to consider if improvements can be made to ensure development conditions are fair, reasonable and consistently applied. Enhancing the role of priority infrastructure plans in continuing to provide a clear and consistent benchmark for imposing additional costs conditions should form part of any such review.

While appeals processes are outside the scope of the taskforce's terms of reference, the taskforce also recognised the need for further review of appeal arrangements for all conditions, but particularly infrastructure provision related conditions placed on development approvals. In particular the taskforce was concerned that the imposition of unreasonable conditions which require infrastructure provision can add significant cost to a development and impact on its viability.

At present the only mechanism to appeal infrastructure related conditions imposed on development applications in Queensland is through the planning and environment court which is a costly and time consuming process. Long delays in resolution add significant holding costs to a project further impacting on a project's viability and pushing up costs for the end consumer.

The taskforce noted the recent COAG *First National Report on Development Assessment Performance 2008/09*, which shows that in Queensland in 2008–09, approximately 2.5 per cent of development applications ended up in appeal processes. This compares with 7.0 per cent in Victoria where there is access to low cost and relatively speedy dispute resolution. While Queensland's percentage is comparatively low, anecdotal evidence suggests that due to the costly and protracted nature of appeal processes in Queensland, many disputes do not get resolved and many development proposals may be not pursued. Protracted and costly negotiations can also occur outside the formal appeal process keeping the formal appeal process percentage artificially low.

The taskforce is keen for the Queensland Government to consider alternative development approval dispute resolution mechanisms to ensure efficiency and transparency, and speed up the process of dispute resolution. For instance, it would be advantageous to have a process to agree fair and reasonable assessment of any credits and offsets that may be applicable as a discount to the calculated charges, without having to resort to court processes.

One particular model that the taskforce believed may have application in Queensland is that operated in Victoria with the Victorian Civil and Administrative Appeals Tribunal which among other things deals with disputes between people and government (state/local) about planning and land valuation matters. Queensland's Civil and Administrative Tribunal does not deal with such matters.

Under the Victorian Civil and Administrative Appeals Tribunal arrangements disputes are settled through mediation, directions hearings, compulsory conferences or hearings. Hearings give parties the opportunity to call or give evidence, ask questions of witnesses and make submissions. Hearing decisions are given on-the-spot, or delivered as soon as possible after the hearing. Disputes can be settled at any time during proceedings. Decisions can be appealed to the Supreme Court of Victoria but only on questions of law.

The Victorian Civil and Administrative Tribunal model offers the sort of speed, low cost, and independent review that would assist in unlocking many projects in Queensland and assist in reducing costs for end consumers.

Another model that could provide similar non-judicial review is expanding the role of Building and Development Dispute Resolution Committees (formerly the Building and Development Tribunal) under the Sustainable Planning Act. An expanded role for the committees in infrastructure planning and charging matters was foreshadowed in *Planning for a Prosperous Queensland—A Reform Agenda for Planning and Development in the Smart State*.

The committees have the advantage of flexible membership composed of panels or individual referees with expertise specific to a particular dispute. The committees have existed for many years in the building dispute resolution sphere, and have proven efficient and effective, particularly as litigants are not represented by lawyers.

The taskforce considers that consideration should be given to investigating an alternative model in Queensland for dispute resolution where it applies to development conditions or the calculation of infrastructure charges.

5.2. Level of design and service standards

The taskforce further recognised that a key determinant of infrastructure costs is the level of design and service standards that are to be met. It was generally agreed that standards of service should be set at an adequate, consistent and affordable level of service.

Appropriateness of design standards is central to determining the cost of providing infrastructure. However, while this is a critical component of the overall infrastructure funding challenge the taskforce recognises that this requires considerable analysis and review as part of ongoing review actions.

5.3. Funding and alternative financing options

The taskforce carefully considered funding options for infrastructure. The taskforce concluded that alternative financing mechanisms may be appropriate in some circumstances. These circumstances may include a well-defined (in geographic terms) out-of-sequence greenfield residential and commercial development where both the developer and ultimately purchasers are sophisticated enough to understand the consequences of the long term obligations attaching to such arrangements. The taskforce observed that this approach has features that are similar to those contained in the ULDA's interim Infrastructure Funding Framework.

These situations need to be viewed on a case-by-case basis and both local government and the Queensland Government should be open to proposals of this nature.

Given the limited application of alternative financing mechanisms, the taskforce does not consider that these are first order issues in terms of its deliberations. Issues such as the level of conditioning attached to developments and the holding costs incurred as a result of the time it takes to bring new developments to market are a higher priority for investigation and action.

5.4. Expediting development assessment of large, complex development projects

The taskforce acknowledged the time being taken to bring economically significant new developments to market, and the need to expedite development assessment of large complex projects that have been delayed as a result of excessive or inconsistent charging and conditioning.

While also outside the scope of the taskforce's terms of reference the taskforce considered that potentially for development applications for economically significant projects worth \$50 million or more where these are located within an activity centre, recognised under a statutory regional plan, and industrial projects worth \$20 million or more, the use of existing legislative provisions be encouraged to help expedite these types of development.

6. Appendices

Appendix 1: Glossary of acronyms and terms

Term	Definition
CPI	Consumer Price Index.
DA	Development application, under the Integrated Development Assessment System (IDAS), including: <ol style="list-style-type: none"> a) carrying out building work b) carrying out plumbing or drainage work c) carrying out operational work d) reconfiguring a lot e) making a material change of use of premises.
EDU	Equivalent Demand Unit.
GFA	Gross Floor Area. Defined under the Queensland Planning Provisions as the total floor area of all storeys of a building (measured from the outside of the external walls or the centre of a common wall), other than areas used for the following: <ol style="list-style-type: none"> a) building services, plant and equipment b) access between levels c) ground floor public lobby d) a mall e) the parking, loading and manoeuvring of motor vehicles f) unenclosed private balconies whether roofed or not.
GLA	Gross Lettable Area.
Interim report	<i>Interim Consultation Report</i> , released by the taskforce 18 November 2010, for the purpose of targeted consultation. 25 key stakeholders were invited to provide formal submissions, as outlined at Appendix 5.
ICS	Infrastructure Charges Schedule.
IPART	Independent Pricing and Regulatory Tribunal.
LFC	Local Function Charge.
LGAQ	Local Government Association of Queensland.
LGIS	Local Government Infrastructure Services.
MPA	Master planned area as defined in the <i>Sustainable Planning Act 2009</i> .
PIP	Priority infrastructure plan.
PPI	Producer Price Index.
QTC	Queensland Treasury Corporation.
SEQ	South-East Queensland.
SEQ water distributor-retailers	The <i>South-East Queensland Water (Distribution and Retail Restructuring) Act 2009</i> established the three distributor-retailers to take over the water and waste-water assets and functions from ten SEQ Local Governments.
Standard charge	Standard charges are based on required infrastructure items (water, storm water, waste water, transport, open space).
Standard planning regime	Any area that is not an urban development area as defined in the <i>Urban Land Development Authority Act 2007</i> or master planned area as defined in the <i>Sustainable Planning Act</i> .
UDA	Urban development areas as defined in the <i>Urban Land Development Authority Act 2007</i> .

Appendix 2: Queensland legislation

Sustainable Planning Act 2009

In Queensland, the legislative framework for the planning and funding of local government infrastructure assets is contained in the *Sustainable Planning Act 2009* and the *Local Government Act 2010*.

The Sustainable Planning Act clearly distinguishes between the cost of the service and the cost of its impacts by:

- clearly integrating land use and infrastructure planning to establish a benchmark for efficient and effective infrastructure provision
- funding the capital cost of the infrastructure mainly through a separate and accountable charging process
- confining conditioning to mitigating the impacts of unforeseen or out-of-sequence development.

Before the commencement of the Integrated Planning Act and the Sustainable Planning Act, contributions towards the cost of trunk water, sewerage and public parks were usually funded by:

- 'headworks' policy payments under the *Local Government (Planning and Environment) Act 1990*,
- through contributed works or land provided by developers,
- general rate revenue, or
- state grants and subsidies.

However, under the Integrated Planning Act, local governments were required to change the mechanism for collection known as the Infrastructure Charges Plan which was commonly delivered through a planning scheme policy (PSP) or, from 2004, a priority infrastructure plan (PIP). The revised rules allowed for the inclusion of contributions/charges for stormwater, transport infrastructure and land for community purposes.

The Sustainable Planning Act continues to require all local governments to prepare PIPs to integrate land use planning and infrastructure planning and delivery. The Act requires that by 30 June 2011, all local government planning schemes include a PIP. PIPs replace the less transparent infrastructure contribution PSPs which have given rise to varying charges calculation methods and charging outcomes.

While PSPs have not been mandatory, most local governments are currently using them to recover varying proportions of their infrastructure costs—though full cost recovery is uncommon and a general level of cost recovery through infrastructure charges being in the order of 60 per cent.

The Integrated Planning Act provided that a local government may fix a charge for the capital cost of a development infrastructure item. These development infrastructure items were land, capital works or land and capital works for any of the following infrastructure:

- urban water cycle management infrastructure (including infrastructure for water supply, sewerage, collecting water, treating water, stream managing, disposing of waters and flood mitigation)
- transport infrastructure (including roads, vehicle lay-bys, traffic control devices, dedicated public transport corridors, public parking facilities predominantly serving a local area, cycle ways, pathways and ferry terminals)
- infrastructure for local community purposes.

Priority infrastructure plans

In 2004, PIPs were introduced under the Integrated Planning Act to replace PSPs, and the 'development infrastructure' for PIPs was refined to be land and/or works for water cycle management (including water supply, sewerage and stormwater drainage), transport, parks and land for local community infrastructure.

Under the Sustainable Planning Act, 'development infrastructure' is defined and limited to networks providing basic essential services and facilities for safe, healthy and efficient functioning of local communities.

Development infrastructure is either trunk infrastructure or non-trunk infrastructure. Trunk infrastructure is 'higher order' development infrastructure planned, funded and provided by local governments and shared between developments. Table 5 illustrates the different local government infrastructure and the associated funding sources.

Table 5: Infrastructure categories, responsibilities and funding sources

Infrastructure category	Provided by	Funding source
Local government trunk infrastructure	Local government and developer	PIP/PSP charges, contributed, and offset, works or land, or rates or other revenue sources
Local government non-trunk infrastructure	Developer	Developer

Table 6 provides an overview of the different trunk infrastructure networks that may be covered by a PIP.

Table 6: Different trunk infrastructure networks that may be covered by a PIP

Network	Examples of trunk infrastructure
Water supply	<ul style="list-style-type: none"> ▣ sources—dams, bores, desalination ▣ treatment and recycling ▣ reservoirs—storage ▣ pump stations ▣ trunk mains—reticulation.
Sewerage	<ul style="list-style-type: none"> ▣ treatment ▣ release systems ▣ manholes ▣ telemetry systems ▣ pump stations ▣ trunk mains and associated fittings.
Stormwater quantity	<ul style="list-style-type: none"> ▣ pipes, box culverts, manholes, inlets and outlets ▣ detention and retention facilities ▣ channels and overland flow paths (natural and constructed) ▣ bank stabilisation, erosion protection.
Stormwater quality	<ul style="list-style-type: none"> ▣ riparian corridors ▣ wetlands ▣ gross pollutant traps ▣ stormwater quality improvement devices ▣ bio-retention facilities.
Transport: Collector and higher order local government roads	<ul style="list-style-type: none"> ▣ roads predominately serving a network function ▣ road crossings (bridges and culverts) ▣ standard items associated with the road profile.
Local function of state-controlled roads	<ul style="list-style-type: none"> ▣ the local function of state-controlled roads within urban areas.
Local government public transport	<ul style="list-style-type: none"> ▣ dedicated public transport corridors and associated infrastructure ▣ ferry terminals ▣ bus stops, signs and shelters.
Footpaths and cycle ways (not included in the above)	<ul style="list-style-type: none"> ▣ standard items associated with the construction of these including culverts, bridges, lighting, signage, surface marking.
Land (only) for certain community purposes	<ul style="list-style-type: none"> ▣ land only for community facilities which allow public access, not restricted by membership, for purposes such as youth centres, senior citizens centre/meeting halls, council chambers, community and neighbourhood centres, meeting halls, libraries, performing arts centres, museums, art galleries, swimming pools ▣ works associated with clearing of land and connection to services.
Public parks	<ul style="list-style-type: none"> ▣ parks for formal and informal recreation and sporting purposes ▣ park embellishments.

Infrastructure charging under the Sustainable Planning Act is based on the following principles to ensure transparency, equity and efficiency:

- Charges are limited to infrastructure that provides direct, private benefits to users.
- Charges are limited to basic essential services/facilities where consumer choice is limited due to:
 - health and safety reasons or
 - compelling savings in long-term provision costs.
- Charges are based on the Plans for Trunk Infrastructure.
- Infrastructure is designed to satisfy reasonable desired standards of service and construction standards that minimise the whole-of-life costs of the infrastructure.
- Infrastructure costs must be apportioned equitably among all infrastructure users.

Urban Land Development Authority Act 2007

The ULDA was established as part of the Queensland Housing Affordability Strategy. The ULDA's role is to facilitate the availability of land, the provision of infrastructure and a greater range of housing options within declared urban development areas (UDAs) declared under the *Urban Land Development Authority Act 2007*.

Within areas that have been declared UDAs, the ULDA assumes the planning powers of local government and some Queensland Government agencies—including assessing and deciding development applications. The delivery of infrastructure is a key component of facilitating development within UDAs and ensuring adequate funding for this infrastructure is vital.

Under Section 58 of the Urban Land Development Authority Act, the ULDA may impose conditions relating to infrastructure, and the payment of contributions or the surrender of land for infrastructure for any development area.

The ULDA's interim Infrastructure Funding Framework outlines the nature and form that infrastructure contributions will take for a range of infrastructure that will be required to facilitate the delivery of developments within the UDAs. The key objective of the interim Infrastructure Funding Framework is to provide transparency and certainty in relation to infrastructure contribution obligations. These contributions are required to deliver the infrastructure necessary to support the vision outlined in the ULDA development schemes.

The ULDA's approach to its interim Infrastructure Funding Framework is comprised of three components:

1. *The upfront local infrastructure component* will be used to fund the provision of infrastructure directly attributable to the development within a UDA, such as public transport, major roads, trunk water, trunk sewer, main open space areas, school sites and other community land.
2. *The value capture component* is an upfront charge that will only apply to areas of the UDAs where the applicable ULDA development scheme will result in residential yields that exceed those allowed for under the current planning scheme for the area and result in an increase in the underlying value of the land, or where the development scheme allows a bring forward in the development timetable. The value capture component will contribute to the cost of providing infrastructure predominantly outside the UDA, such as state and local roads, waste water treatment works and public transport.

3. *The special rate component* is an annual rate that will apply to all properties in the UDA to contribute additional funds towards regional and sub-regional infrastructure including public transport and community development for the UDAs. The special rate allows the upfront charge to be kept to a reasonable level while providing a contribution towards subregional infrastructure over a period of time, thereby enhancing the upfront affordability for the purchaser.

The taskforce understands that the interim Infrastructure Funding Framework will be finalised by the ULDA on completion of development schemes for its UDAs.

South-East Queensland Water (Distribution and Retail Restructuring) Act 2009

The Queensland Government introduced new arrangements under the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009* which established the three water distributor-retailers to take over the water and waste-water assets and functions from ten South-East Queensland (SEQ) local governments.

The local government-owned water distributor-retailers were established on 1 July 2010, and own the water and sewerage distribution infrastructure and sell water and sewerage distribution infrastructure and sell water and disposal services to customers. Distribution infrastructure includes reticulation pipes, reservoirs, pumps (i.e. all non-bulk transport assets) and sewage treatment plants. The ten SEQ local governments retain ownership and operation of the stormwater infrastructure network.

For an interim period (from 1 July 2010 to 30 June 2013), approval of development and associated infrastructure charging occurs under the Sustainable Planning Act, with some necessary adaptations. Hence infrastructure charges by a water distributor-retailer are levied on the basis of its SEQ Infrastructure Charges Schedule.

From 1 July 2010, the water and wastewater components of the infrastructure charging regime of the ten SEQ local governments (either from a PIP or a PSP) transitioned to become part of the relevant water distributor-retailer's SEQ Infrastructure Charges Schedule (ICS). The following structures are relevant for the SEQ ICS:

- Queensland Urban Utilities has a SEQ ICS that incorporates the basis of infrastructure contributions previously levied by the local governments of Brisbane, Ipswich, Scenic Rim, Somerset, and Lockyer Valley under PSPs.
- Unitywater has a SEQ ICS that incorporates the basis of infrastructure contributions previously levied by the local governments of Moreton Bay and Sunshine Coast under PSPs.
- Allconnex Water has a SEQ ICS that incorporates the basis of infrastructure contributions previously levied by the local governments of Logan and Redlands under PSPs, and by the Gold Coast under its PIP.

The key changes impacting infrastructure arrangements in SEQ for water and wastewater during the interim period are shown in Table 7.

Table 7: Key changes impacting water and waste-water infrastructure in SEQ

Changes	Before 1 July 2010	From 1 July 2010
Planning and development assessment	Undertaken by local governments	Undertaken by local governments through mandatory delegation of assessment powers from water distributor-retailers to 30 June 2013. Utility model of development assessment to apply from 1 July 2013. Water distributor-retailers to adopt a water and wastewater network and services plan (Water NetServ Plan) for its networks by 1 July 2013.
Price setting	Set as part of local government's budget process	To 30 June 2013, infrastructure charges are set by water distributor-retailers and subject to price monitoring. From 1 July 2013, will operate under full economic regulation.
Commercial structure	Parts of local government's overall funding	Funding on commercial basis, not guaranteed by the Queensland Government. Queensland Treasury Corporation must assess the water distributor-retailer as having adequate capacity to meet its financial commitments.

From 1 July 2013, SEQ water distributor-retailers will operate under the utility model and have its revenue regime approved by an economic regulator. A water distributor-retailer will levy connections charges (that can include charges relating to providing infrastructure), based on the charges schedule in its Water NetServ Plan. Therefore an infrastructure charges notice under the Sustainable Planning Act (as adapted to water distributor-retailers) will be replaced by a connections charge under the SEQ Water (Distribution and Retail Restructuring) Act.

Infrastructure charging for water and wastewater infrastructure during the interim period to 30 June 2013 is now the responsibility of the SEQ water distributor-retailers based on their SEQ Infrastructure Charges Schedule. However, water distributor-retailers can delegate some or part of their powers to relevant local governments or agree that a local government may undertake some of the administrative processes on the water distributor-retailer's behalf such as issuing infrastructure charges notices or updating the infrastructure register.

Currently, responsibility for infrastructure charges during the interim period to 30 June 2013 rests with the SEQ water distributor-retailers (or with local government under delegation or agreement), including:

- calculation of charges
- issuing of infrastructure charges notices
- collection of charges
- maintaining a register of charges.

Under the Sustainable Planning Act, water distributor-retailers may amend infrastructure charges for water and sewerage by the percentages outlined in Table 8 for each 12-month period.

Table 8: Amendment to infrastructure charge

Infrastructure charge options	Approval process required
In line with the Consumer Price Index	No approval process required.
By less than 5%	Subject to approval by the Minister for Local Government and Planning.
By more than 5%	Only after a formal round of public consultation and agreement by the Minister for Local Government and Planning.

The business model for the water distributor-retailers as regulated entities is based on moving to cost-reflective prices, balancing their two revenue sources of user tariffs and infrastructure charges. However, up to 1 July 2013 a local government that wished to encourage development in its area through discounts or subsidies on infrastructure charges could continue to do this.

Appendix 3: Infrastructure frameworks in other states

In this appendix, the legislative frameworks of NSW and Victoria are provided, to illustrate key differences in regulatory approach between Queensland and other states.

1. New South Wales

Purpose of charges

The funding of public infrastructure has changed substantially over the last 40 years, moving from traditional sources such as federal, state and local government budget allocations to a mix of sources ranging from public private partnerships, to developer charges, and to user pays charges.

The user pays philosophy underlying the funding of local infrastructure has existed in New South Wales (NSW) since the 1940s when the planning process has had the ability to require developers to contribute to the provision of public facilities, the need for which arises as a result of the development. Legislation requiring a contribution towards the provision of public infrastructure was first codified as s94 of the *Environmental Planning and Assessment Amendment Act 2008*.

Section 94 has been subject to review on a number of occasions in response to concerns raised by the development industry and local councils. The merits of maintaining the existing system and making improvements have been explored, as have alternatives that are more or less prescriptive than s94.

The NSW Government has taken the policy position that the beneficiaries of the provision of new infrastructure should make a contribution to that infrastructure. In this regard, the NSW Government considers that the attractiveness of an area for development and its underlying land value will increase when new infrastructure is provided. However, the NSW Government at the same time accepts that:

- infrastructure charges can be a significant cost of providing serviced vacant blocks of land for development and, if charges are too high, developers may elect not to develop land, and
- the imposition of infrastructure charges can have an indirect impact on house prices through a reduction in the supply of houses, which can then translate into higher prices.

The Independent Pricing and Regulatory Tribunal, which regulates water and sewerage charges and associated infrastructure charges, has stated the objectives of infrastructure charges as:

- recover the efficient costs of providing water-related infrastructure to new developments
- signal the costs of developing in a particular area
- pass some of the risk associated with the cost of infrastructure provision to developers
- achieve the pricing objectives of economic efficiency, transparency and equity.

Principles applied

The Environmental Planning and Assessment Amendment Act (which amends the *Environmental Planning and Assessment Act 1979*) identifies five key considerations for infrastructure charges:

- Can the public infrastructure that is proposed to be funded by an infrastructure charge be provided within a reasonable time?
- What will be the impact of the proposed infrastructure charge on the affordability of the proposed development?
- Is the proposed infrastructure charge based on a reasonable apportionment between existing demand and new demand for public infrastructure to be created by the proposed development to which the charge relates?
- Is the proposed infrastructure charge based on a reasonable estimate of the cost of proposed public infrastructure?
- Are the estimates of demand for each item of public infrastructure to which the proposed infrastructure charge relates reasonable?

In addition, the Environmental Planning and Assessment Amendment Act strengthened the concepts of nexus and apportionment to development and imposed accountability obligations in relation to the determination, collection, application and use of infrastructure charges.

In relation to water providers, the Independent Pricing and Regulatory Tribunal's July 2008 Draft Determination on infrastructure charges for metropolitan water agencies (i.e. Sydney Water Corporation, Hunter Water Corporation, Gosford City Council and Wyong Shire Council) provides that:

- existing assets more than 30 years old and new assets to be provided more than 30 years into the future are to be excluded from charges, and
- pre-30 June 2005 existing assets are to be valued at the Modern Equivalent Engineering Replacement Asset value at 30 June 2005 then indexed annually at the CPI, and
- existing assets commissioned after 30 June 2005 are to be valued at actual cost indexed annually at CPI.

Administrative arrangements

Infrastructure charges are levied by local governments pursuant to the Environmental Planning and Assessment Act 1979, Planning Circulars and Practice Notes.

Scope of charges

Section 94 of the Environmental Planning and Assessment Amendment Act has traditionally been the principal method enabling councils to levy contributions for public amenities and services required as a consequence of development. This may be the provision of new facilities for a new area, or may be the expansion of existing facilities where a developed area is growing.

Section 94 contributions are imposed by way of a condition of development consent or complying development, and can be satisfied by:

- dedication of land
- a monetary contribution
- material public benefit
- a combination of some or all of the above.

Since 1993, councils have been able to levy s94 contributions only if they have prepared and exhibited a development contributions plan which has allowed the system to be made more transparent. Reforms to s94 maintain the power to levy a contribution as a consequence of development provided a development contributions plan is in place.

However, reforms have widened the scope of the contributions system to include new provisions under s93 and s94A of the Environmental Planning and Assessment Amendment Act, which provide greater flexibility as to the means of levying a contribution.

The amendments provide for the following methods of funding local infrastructure by a consent authority:

- s94 development contributions
- s94A levy
- planning agreements.

The various methods of funding local infrastructure are collectively known as the development contributions system. The types of development contributions and their possible application are highlighted in Table 9.

Table 9: Methods of funding local NSW infrastructure

Method	Application/issues
Section 94 development contributions	Application: <ul style="list-style-type: none"> ▪ optimum where growth is faster and higher levels of contributions are able to offset the considerable administration costs, financial risks and inefficiencies of managing money amongst and within the funds. ▪ areas with multiple owners who are unable to co-ordinate in offering dedications or works-in-kind. Key issue: <ul style="list-style-type: none"> ▪ substantial work required to satisfy statutory requirements against potential benefits.
Section 94A levy	Application: <ul style="list-style-type: none"> ▪ little growth and slow accrual of funds in established urban areas or rural areas, or where provision of facilities benefits a dispersed set of contributors. ▪ areas with multiple ownership with little scope for land dedications or works-in-kind. ▪ costs of needed infrastructure are relatively low and spread over time. Key issue: <ul style="list-style-type: none"> ▪ lower level of contributions but greater flexibility in expenditure. <p style="text-align: right;"><i>Continued over the page . . .</i></p>

Method	Application/issues
Planning agreements	Application: <ul style="list-style-type: none"> ■ one or few owners that have an incentive to fund infrastructure. ■ more successful where major growth or development occurs in a distinct area. ■ can offer different and better outcomes through efficiencies in the process or through innovation by the parties. Key issue: <ul style="list-style-type: none"> ■ are the outcomes worth the substantial effort required to implement a satisfactory agreement?

On 4 June 2010, the NSW Government announced a revised approach for setting local development contributions and local council rates, including:

- a \$20 000 per residential lot or per dwelling limit on local development contributions
- allowing councils to apply for special rate variations for legitimate council costs arising from development.

Following this announcement, further extensive consultation with stakeholders has been undertaken. As a result, a number of new measures will be introduced to accelerate housing and keep downward pressure on prices.

On 31 August 2010 the NSW Government further announced that:

- the \$20 000 cap per dwelling or per residential lot in existing areas will be retained
- the cap will be \$30 000 per dwelling or per residential lot in new release (greenfield) areas to recognise the higher costs of creating well-planned communities in these areas
- development areas where applications for more than 25 per cent of the expected dwelling yield have been lodged will be exempted from the relevant cap
- a list of essential infrastructure that will apply to contributions plans over the relevant caps will be set
- a \$50 million Priority Infrastructure Fund for projects on the essential works list above the cap will be established.

Table 10: Essential infrastructure

Description	Component	Essential works
Open space	Land*	✓
	Facilities	✗
Community services	Land	✓
	Facilities	✗
Emergency services	Land	✗
	Facilities	✗
Transport e.g. Road works, traffic management, pedestrian/cycle facilities	Land	✓
	Facilities	✓
Car parks	Land	✗
	Facilities	✗
Stormwater	Land	✓
	Facilities	✓

*Land for open space can include base level embellishment

The changes mean an increase in the development contributions cap for new land release areas from \$20 000 to \$30 000, and allow all councils with contributions below the cap to levy for general community infrastructure.

Table 11: Existing contributions

Area	Contribution Rate	Infrastructure Types	Process
Existing contributions—all areas			
Any area: In-fill / established area or greenfield	Contribution rate under the relevant cap	Essential works list does not apply.	Contribution plan does not require review by IPART.
Area with Development Applications lodged for over 25% of the capacity of the area (as at 31 August 2010)	Cap does not apply (Exemption to be provided by Ministerial Direction)	Essential works list does not apply.	Councils will need to demonstrate to the Department that DAs lodged exceed 25% to continue levying under the existing contributions plan.
Existing contributions plans—infill/established areas			
In-fill / established area	Contribution rate over \$20 000	Contribution limited to \$20 000 per residential lot/dwelling Essential works list applies if seeking a special rate variation.	Contribution plan to be reviewed by IPART for consistency with essential works list if seeking a special rate variation or Priority Infrastructure Funding.
Existing contributions plans—greenfield areas			
greenfield	Contribution rate over \$30 000	Contribution limited to \$30 000 per residential lot/dwelling Essential works list applies if seeking a special rate variation.	Contribution plan to be reviewed by IPART for consistency with essential works list if seeking a special rate variation or Priority Infrastructure Funding.
Adding new infrastructure to existing contributions plans			
Any area: In-fill / established area or greenfield	Relevant cap applies	Essential works list applies if contribution plan includes contribution rates over relevant cap.	Contribution plan over the relevant cap to be reviewed by IPART for consistency with essential works list. Before council publicly notifies a draft contributions plans, the council must advise the Department of Planning and seek approval to advertise the plan.
New contributions plans			
Any area: In-fill / established area or greenfield	Relevant cap applies	Essential works list applies if contribution plan includes contribution rates over relevant cap.	Contribution plan over the relevant cap to be reviewed by IPART for consistency with essential works list. Before council publicly notifies a draft contributions plans, the council must advise the Department of Planning and seek approval to advertise the plan.

2. Victoria

Purpose of charges

Infrastructure charges comprise one of a number of options (including ongoing charges and rates) for funding infrastructure available to local governments.

Principles applied

The Development Contributions Guidelines, which apply to development and community infrastructure, provide that Development Contribution Plans must comply with eight principles:

1. *Strategic basis*: the Development Contribution Plan must be strategically justified and linked to the State Planning Policy Framework or the Local Planning Policy Framework in the planning scheme.
2. *Justification of infrastructure projects*: infrastructure projects can be included if they will be used by the future community of an area, including existing and new development.
3. *Nexus*: it must be demonstrated that the new development to be levied is likely to use the infrastructure to be provided.
4. *Reasonable time horizon*: the time horizon should not exceed 20 to 25 years.
5. *Share of usage*: infrastructure costs must be apportioned on the basis of projected 'share of usage'.
6. *Commitment to provide the infrastructure*: a Development Contribution Plan imposes a binding obligation on the infrastructure provider to provide the infrastructure by the date or criteria specified in the Development Contribution Plan.
7. *Accountability*: levies collected must be used to provide the infrastructure specified in the Development Contribution Plan. Proper financial accounts must be kept to demonstrate this.
8. *Transparency*: all assumptions relating to the calculation of levies must be documented and justified and expressed in non-technical language so they can be clearly understood.

In relation to water, recycled water and sewerage infrastructure charges, the Essential Services Commission's 2005 Final Decision provides that new customer charges should:

- reflect incremental costs associated with connecting new customers
- provide locational signals
- minimise administrative costs associated with assessing and approving all new customer charges.

Administrative arrangements

Infrastructure charges are levied by local governments for development and community infrastructure pursuant to the *Planning and Environment Act 1987* and related Development Contributions Guidelines.

Infrastructure charges for water, recycled water and sewerage are subject to regulatory oversight by the Essential Services Commission.

Scope of charges

Developers are required to provide infrastructure within a development and may be required to contribute to the provision of development and community infrastructure such as land, roads, public transport, improvements to public open spaces, drainage, building and works for maternal and child related centres and building and facilities for community and social purposes.

Bases of Charges

The calculation of the levy is based on the estimated cost of the infrastructure. The Development Contribution Plan must provide clear documentation detailing the costs associated with projects included. This information forms the essential basis of the Development Contribution Plan. It is likely to be challenged and reviewed through the planning scheme amendment process.

The following costs can be included in the calculation of levies:

- the capital costs of providing the infrastructure projects
- the cost of financing the infrastructure projects, if provided early in the life of the Development Contribution Plan
- the design costs associated with the infrastructure projects, and
- the cost of preparing and approving the Development Contribution Plan.

The capital cost is expenditure which:

- creates a new asset, or
- extends the life of an existing asset where the cost required would be equal to or greater than the cost of providing the asset in the first place.

Recurrent costs such as maintenance and operating costs or costs associated with the administration of the Development Contribution Plan cannot be included in the calculation of a development contributions levy.

Community infrastructure

Section 46L (1)(a) and (1)(b) of the *Planning and Environment Act 1987* sets a maximum levy for community infrastructure. The maximum levy is:

- \$900 for each dwelling to be constructed, and
- 25 cents in the dollar of the cost of the building work in any other case.

Given the maximum levy that can be charged for community infrastructure in a Development Contribution Plan, a local government will need to set priorities for community infrastructure funded through a Development Contribution Plan. Depending on the needs of the community and scale and pace of new development, a local government may need to explore other funding options for this type of infrastructure.

Development infrastructure

There is no maximum levy for development infrastructure in the *Planning and Environment Act*. However, the classification of infrastructure as development infrastructure and the amount of the levy may be subject to challenge and review through the planning scheme amendment process.

Growth Areas

A Growth Areas Infrastructure Contribution levied by the Growth Areas Authority comprises a one-off charge determined at the date of the first sale, subdivision transaction or development approval, whichever comes first, and from 2011, is indexed annually using a published Construction Cost Index approved by Victorian Treasury.

For 2010, these charges are:

- \$80 000 per hectare for land bought from 2005 to 2010, which reflects 50 per cent of the value of infrastructure (in 2005) for transport, environment facilities and community infrastructure
- \$95 000 per hectare for land bought in or after 2010 (derived by indexing the above \$80 000 charge).

In June 2008, the Essential Services Commission set new customer charges for 16 regional and rural water businesses and Melbourne Water's waterways and drainage services as show in Table 12.

Table 12: New customer charges for Melbourne waterways

Type	Charges
Connection charges based on impact and lot size with a 50% discount where connected to recycled water	<ul style="list-style-type: none"> ▪ \$550 per lot per service for developments that are designed to have minimum impact on future water resources and utilise existing distribution capacity without requiring medium-term upgrade ▪ \$1 100 per lot per service for urban developments that require further investment ▪ \$2 200 per lot per service for developments that are designed to demand water resources over and above high-density developments.
Developers can be charged according to whether they represent out-of-sequence development or are part of existing plans for expansion	<ul style="list-style-type: none"> ▪ 0% where the assets are considered a logical sequenced expansion and could reasonably be expected to form part of the short to medium term planning horizon ▪ 40% where the assets are not a logical sequenced expansion but could reasonably be expected to form part of a long term planning horizon ▪ 70% where the assets are not a logical sequenced expansion and could not reasonably be expected to form part of a long term planning horizon.
Developers fund reticulation pipes and associated assets	<ul style="list-style-type: none"> ▪ however, if it can be shown that the reticulation assets exceed the requirements of the particular development in a material sense, costs are allocated on the basis of allocated capacity ▪ the remaining costs may be recovered from future customers connecting to the reticulation assets.

However, developers have the right to appeal non-schedule charges to the Essential Services Commission.

Appendix 4: Detailed discussion of charges principles

Maximum standard infrastructure charges: residential

The analysis presented from Table 13 to Table 15 compares current infrastructure charges for a single detached dwelling and a one bedroom unit across a sample of local governments, and it illustrates the wide range in charges.

Table 13: Comparison of current infrastructure charges for residential development (House)

Residential Lot (House)

Council	Average:	Network					Total
		Water	Sewerage	Parks and community land/facilities	Stormwater	Transport – LG	
Logan City	\$ Charge	3 127	3 261	5 274	0	4 050	15 712
	%	20	21	34	0	26	100
Brisbane	\$ Charge	9 623	10 752	8 222	4 715	5 757	39 069
	%	25	28	21	12	15	100
Ipswich	\$ Charge	3 783	4 963	9 014	0	4 134	21 894
	%	17	23	41	0	19	100
Townsville	\$ Charge	10 574	7 009	2 452	538	3 683	24 257
	%	44	29	10	2	15	100
Gold Coast	\$ Charge	5 854	8 751	6 529	4 215	3 750	29 099
	%	20	30	22	14	13	100
Sunshine Coast (Maroochy)	\$ Charge	6 469	6 519	6 938	3 621	3 083	26 630
	%	24	24	26	14	12	100
Cairns	\$ Charge	3 471	3 486	2 375	1 647	8 255	19 233
	%	18	18	12	9	43	100
Fraser Coast (Hervey Bay)	\$ Charge	7 150	7 331	2 119	6 268	4 035	26 902
	%	27	27	8	23	15	100

BREAKDOWN

All sample councils	%	24	25	22	9	20	100
Outliers removed	%	27	26	16	12	20	100

Source: Integran (2009) Infrastructure Charges Comparison Report for Gold Coast City Council

Table 14: Comparison of current infrastructure charges for residential development (Apartment)

Apartment (1 unit)

Council	Average:	Network					Total
		Water	Sewerage	Parks and community land/facilities	Stormwater	Transport – LG	
Logan City	\$ Charge	2 233	2 329	3 164	0	1 740	9 467
	%	24	25	33	0	18	100
Brisbane	\$ Charge	3 675	11 869	4 015	372	3 677	23 609
	%	16	50	17	2	16	100
Ipswich	\$ Charge	1 019	1 896	4 931	0	1 959	9 805
	%	10	19	50	0	20	100
Townsville	\$ Charge	7 211	4 553	2 452	24	1 292	15 532
	%	46	29	16	0	8	100
Gold Coast	\$ Charge	3 549	5 227	6 042	755	2 170	17 743
	%	20	29	34	4	12	100
Sunshine Coast (Maroochy)	\$ Charge	2 669	4 440	4 394	1 469	1 439	14 410
	%	19	31	30	10	10	100
Cairns	\$ Charge	2 286	2 164	2 410	50	6 360	13 271
	%	17	16	18	0	48	100
Fraser Coast (Hervey Bay)	\$ Charge	4 079	4 810	3 325	410	2 950	15 574
	%	26	31	21	3	19	100

BREAKDOWN

All sample councils	%	22	29	28	2	19	100
Outliers removed	%	26	27	24	4	19	100

Source: Integran (2009) Infrastructure Charges Comparison Report for Gold Coast City Council

Table 15: Comparison of current infrastructure charges for residential development (Total average)

Total Average Residential

	Network					Total
	Water	Sewerage	Parks and Community Land/Facilities	Stormwater	Transport – LG	
Average of all councils (house and apartment) %	23.30	26.90	24.70	5.80	19.30	100
Adjusted rate %	22.50	27.50	25.00	5.00	20.00	100

Source: Integran (2009) Infrastructure Charges Comparison Report for Gold Coast City Council

By applying the current average proportional charge (broken down by network) to this range, a maximum standard charge for residential charges differentiated by dwelling size can be hypothesised as follows in Table 16 to Table 18.

It should be noted that adjusted percentage rates presented for planning purposes for each network are indicative only, and that each LGA would determine distribution across networks based on their particular network requirements.

Table 16: Residential maximum standard charge assuming a charge of \$20 000

Type	Demand Factor (Res EDU*)	Total Charge (\$/EDU*)	Breakdown per network				
			Water	Sewerage	Transport	Parks/Community	Storm water
		\$20 000	22.5%	27.5%	20.0%	25.0%	5.0%
Multi-Unit Residential:							
▣ 1 bed/studio	0.6	\$12 000	\$2 700	\$3 300	\$2 400	\$3 000	\$600
▣ 2 bed	0.75	\$15 000	\$3 375	\$4 125	\$3 000	\$3 750	\$750
▣ 3 bed	0.85	\$17 000	\$3 825	\$4 675	\$3 400	\$4 250	\$850
▣ 3+ bed	1.0	\$20 000	\$4 500	\$5 500	\$4 000	\$5 000	\$1 000
Duplex	0.6	\$12 000	\$2 700	\$3 300	\$2 400	\$3 000	\$600
House	1.0	\$20 000	\$4 500	\$5 500	\$4 000	\$5 000	\$1 000

* Equivalent Demand Unit. Note: Charges not applicable to special purpose planning areas (e.g. UDAs)

Table 17: Residential maximum standard charge assuming a charge of \$25 000

Type	Demand Factor (Res EDU*)	Total Charge (\$/EDU*)	Breakdown per network				
			Water	Sewerage	Transport	Parks/Community	Storm water
		\$25 000	22.5%	27.5%	20.0%	25.0%	5.0%
Multi-Unit Residential:							
▣ 1 bed/studio	0.6	\$15 000	\$3 375	\$4 125	\$3 000	\$3 750	\$750
▣ 2 bed	0.75	\$18 750	\$4 219	\$5 156	\$3 750	\$4 688	\$938
▣ 3 bed	0.85	\$21 250	\$4 781	\$5 844	\$4 250	\$5 313	\$1 063
▣ 3+ bed	1.0	\$25 000	\$5 625	\$6 875	\$5 000	\$6 250	\$1 250
Duplex	0.6	\$15 000	\$3 375	\$4 125	\$3 000	\$3 750	\$750
House	1.0	\$25 000	\$5 625	\$6 875	\$5 000	\$6 250	\$1 250

* Equivalent Demand Unit. Note: Charges not applicable to special purpose planning areas (e.g. UDAs)

Table 18: Residential maximum standard charge assuming a charge of \$30 000

Type	Demand Factor (Res EDU*)	Total Charge (\$/EDU*)	Breakdown per network				
			Water	Sewerage	Transport	Parks/Community	Storm water
		\$30 000	22.5%	27.5%	20.0%	25.0%	5.0%
Multi-Unit Residential:							
▣ 1 bed/studio	0.6	\$18 000	\$4 050	\$4 950	\$3 600	\$4 500	\$900
▣ 2 bed	0.75	\$22 500	\$5 063	\$6 188	\$4 500	\$5 625	\$1 125
▣ 3 bed	0.85	\$25 500	\$5 738	\$7 013	\$5 100	\$6 375	\$1 275
▣ 3+ bed	1.0	\$30 000	\$6 750	\$8 250	\$6 000	\$7 500	\$1 500
Duplex	0.6	\$18 000	\$4 050	\$4 950	\$3 600	\$4 500	\$900
House	1.0	\$30 000	\$6 750	\$8 250	\$6 000	\$7 500	\$1 500

* Equivalent Demand Unit. Note: Charges not applicable to special purpose planning areas (e.g. UDAs)

Maximum standard infrastructure charges: non-residential

The wide range in charges is illustrated in the analysis presented in Table 19, which compares current infrastructure charges for commercial, office and industrial uses across a sample of local governments.

Table 19: Current non-residential infrastructure charges for selected local governments

	Logan City	Brisbane	Ipswich	Townsville	Gold Coast	SCRC (Maroochy)	Cairns	FCRC (Hervey Bay)
Shopping Centre	\$192	\$524	\$118	\$336	\$375	\$240	\$269	\$160
Office	\$72	\$251	\$108	\$95	\$131	\$136	\$123	\$83
Industry	\$39	\$165	\$24	\$46	\$73	\$51	\$136	\$46

Source: Integran

Notes:

- Based on PSP charge rates applicable at the time from the Integran (2009) Infrastructure Charges Comparison report for Gold Coast City Council.
- Rates indexed to 2010 Dollars
- Rates are per square metre GFA, and are based on water, sewerage and roads (Council) only. Stormwater, parks, roads (state-controlled) and public transport are excluded from these rates.

Table 20 provides detail on the applicable charge for each non-standard residential use in the Queensland Planning Provisions. It details calculation of the charge by outlining appropriate units of measurement and stormwater treatment

Table 20: Non-Residential Maximum Charges by Queensland Planning Provisions Land Uses

	QPP USE	QUALIFICATION	UNIT OF MEASURE (WATER, SEWERAGE, TRANSPORT, PARKS)	MAXIMUM CHARGE (COMBINED WATER, SEWERAGE, TRANSPORT, PARKS) PER UNIT OF MEASURE	UNIT OF MEASURE (STORMWATER)	IMPERVIOUS FRACTIONS FOR DETERMINING STORMWATER DEMAND FOR RECONFIGURING A LOT	MAXIMUM STORMWATER CHARGE PER IMPERVIOUS m ²
Assembly	Club Community Use Function Facility Funeral Parlour Place of Worship		m ² GFA	\$30 to \$70	Impervious Area (Ha)	0.2	\$10
Commercial (bulk goods)	Agricultural Supplies Store Bulk Landscape Supplies Garden Centre Hardware and Trade Supplies Outdoor Sales Showroom		m ² GFA	\$90 to \$140	Impervious Area (Ha)	0.9	\$10
Commercial (retail)	Adult Store Food and Drink Outlet Service Industry Service Station Shop Shopping Centre		m ² GFA	\$125 to \$200	Impervious Area (Ha)	0.9	\$10
Commercial (office)	Office Sales Office		m ² GFA	\$110 to \$140	Impervious Area (Ha)	0.9	\$10
Education	Child Care Centre Community Care Centre Educational Establishment Home Based Business		m ² GFA	\$115 to \$140	Impervious Area (Ha)	0.2	\$10

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	QPP USE	QUALIFICATION	UNIT OF MEASURE (WATER, SEWERAGE, TRANSPORT, PARKS)	MAXIMUM CHARGE (COMBINED WATER, SEWERAGE, TRANSPORT, PARKS) PER UNIT OF MEASURE	UNIT OF MEASURE (STORMWATER)	IMPERVIOUS FRACTIONS FOR DETERMINING STORMWATER DEMAND FOR RECONFIGURING A LOT	MAXIMUM STORMWATER CHARGE PER IMPERVIOUS m ²
Entertainment	Hotel	Non-Residential Component	m ² GFA	\$200	Impervious Area (Ha)	1	\$10
	Indoor Sport and Recreation Facility Nightclub Theatre	Areas excluding Courts @ \$200 - Courts at \$20 (i.e. 10%)					
Industry	Low Impact Industry Medium Impact Industry Research and Technology Industry Rural Industry Warehouse Waterfront Marine Industry		m ² GFA	\$16 to \$50	Impervious Area (Ha)	0.9	\$10
High impact industry	High Impact Industry Noxious and Hazardous Industries		m ² GFA	\$16 to \$70	Impervious Area (Ha)	0.9	\$10
Low impact rural	Animal Husbandry Cropping Permanent Plantations Wind Farm		m ² GFA (Transport Charge Only)	Nil (Covered by Residential Access requirement)	NA	0	NA
High impact rural	Aquaculture Intensive Animal Industries Intensive Horticulture Wholesale Nursery Winery	GFA of any Intensive Industrial Production Facility (e.g. washing and packaging, processing, refrigeration)	m ² GFA (Transport Charge Only)	\$20	NA	0	NA
Essential services	Correctional Facility Emergency Services Health Care Services Hospital Residential Care Facility Veterinary Services		m ² GFA	\$140	Impervious Area (Ha)	0.5	\$10

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	QPP USE	QUALIFICATION	UNIT OF MEASURE (WATER, SEWERAGE, TRANSPORT, PARKS)	MAXIMUM CHARGE (COMBINED WATER, SEWERAGE, TRANSPORT, PARKS) PER UNIT OF MEASURE	UNIT OF MEASURE (STORMWATER)	IMPERVIOUS FRACTIONS FOR DETERMINING STORMWATER DEMAND FOR RECONFIGURING A LOT	MAXIMUM STORMWATER CHARGE PER IMPERVIOUS M ²
Specialist uses	Air Services Animal Keeping Car Park Crematorium Major Sport, Recreation and entertainment facility Motor Sport Outdoor Sport and Recreation Facility Port Services Tourist Attraction Utility Installation Extractive Industry		Use and Demand determined at time of assessment. A clear and consistent method of analysing the use and its components against the relative charge rates for those specific uses is determined, proportioned and aggregated to form a new rate for the Undefined Use.	Use and Demand determined at time of assessment. A clear and consistent method of analysing the use and its components against the relative charge rates for those specific uses is determined, proportioned and aggregated to form a new rate for the Undefined Use.	Impervious Area (Ha)	Use and Demand determined at time of assessment	\$10
Minor uses	Advertising Device Cemetery Home Based Business Landing Market Non-residential Workforce Accommodation Roadside Stalls Telecommunications Facility Temporary Use Park Outdoor Lighting	Included in House Charge	NA	NA	NA	NA	NA
Long term accommodation	Community Residence Hostel Relocatable Home Park Retirement Facility*	Unit of measure = room.	Dwelling (note: for Hostel, unit of measure = room)	As per maximum standardised residential charge rate	NA - included in maximum standardised residential charge rate	NA - included in maximum standardised residential charge rate	NA - included in maximum standardised residential charge rate
Short term accommodation	Hotel* Short Term Accommodation Tourist Park		Room (Hotel, Short Term Accommodation), Cabin/caravan/camping site (Tourist Park)	0.5 x maximum standardised residential charge rate	NA - included in maximum standardised residential charge rate	NA - included in maximum standardised residential charge rate	NA - included in maximum standardised residential charge rate

Source: Integran

* Note: Refer to relevant non-residential land use category to determine charge rate for non-residential component of land use.

Appendix 5: Feedback form

Please use this form to indicate your response to the taskforce recommendations, attaching further pages as required.

Submit the feedback form and any associated material by 15 December 2010 to:

Mr Paul Low, Chairperson
Infrastructure Charges Taskforce
Department of Infrastructure and Planning
PO Box 15009
City East Queensland 4002

Recommendation 1: Maximum standard charges to be set for standard planning regime

A maximum standard infrastructure charge to apply in areas subject to standard planning approaches. The regime proposed would be a standard planning regime of standard charges based on the current infrastructure networks of water, waste water, storm water, transport, and open space/community.

Note:

- The current process of determining an infrastructure charge for special purpose planning areas (urban development area or master planned area) will continue.
- For special purpose planning areas, or where an infrastructure agreement may be required, the relevant planning authority will determine whether a standard infrastructure charge will apply to a proposed development.

Do you: Agree? Disagree?

Comment:

Recommendation 2: *Maximum standard charges to be differentiated by development type/residential development type*

For the standard planning regime, a maximum standard infrastructure charge be differentiated by the various categories of:

- development (e.g. urban residential, non-urban residential, industrial, commercial, retail) noting that there may be some exceptions such as rural and remote communities.
- residential development type such as house and unit

Do you: Agree? Disagree?

Comment:

Recommendation 3: *Local governments to have the discretion to apply a revenue subsidy to the maximum charge*

For the standard planning regime, local governments to have the discretion to apply a lower charge than the maximum charge.

Do you: Agree? Disagree?

Comment:

Recommendation 4: *Queensland Government to subsidise requirement for LFCs to apply for 3 years*

The Queensland Government to subsidise the requirement for LFCs to apply for 3 years, and review the policy to coincide with the review of the 3-year implementation of the standard charges regime.

Do you: Agree? Disagree?

Comment:

Recommendation 5: Standard charges to be set for 3 years

For the standard planning regime, a maximum standard infrastructure charge to be:

- applied to all development applications decided after 1 July 2011. The maximum standard infrastructure charge regime will be in place up to 30 June 2014. It is intended that the Sustainable Planning Act 2009 will be amended to include transitional arrangements dealing with the introduction of the maximum standard infrastructure charge regime to ensure that it does not operate retrospectively, or apply to development approvals given before 1 July 2011, and
- escalated annually by an identified escalation factor.

Do you: Agree? Disagree?

Comment:

Recommendation 6: Maximum standard infrastructure charges to be escalated annually

The regulated infrastructure contribution under the standard planning regime to be escalated by the ABS PPI Construction Index—Queensland Roads and Bridges (on a three-year moving average).

Do you: Agree? Disagree?

Comment:

Recommendation 7: Standard planning regime infrastructure charges to be monitored and an ex-post evaluation conducted

An ex-post evaluation of the maximum standard infrastructure charge, applicable under the standard planning regime, should be concluded prior to 3 years from the commencement of the new charging regime.

Note: this evaluation would not preclude regular monitoring and assessment of the new charging arrangements being undertaken as required.

Do you: Agree? Disagree?

Comment:

Recommendation 8: A deferred payment option to be introduced for standard charges

Options for deferred payment by the developer of infrastructure charges to time of settlement of a lot be introduced, subject to:

- Local government being provided with appropriate security of payment
- a maximum time period over which payment can be deferred
- Local government being provided with the flexibility to levy an interest charge, at the local government cost of debt, from liability to payment to account for local government holding costs.

Do you: Agree? Disagree?

Comment:

Recommendation 9: Standard charge information to be accessible

Establish and maintain a website to allow access to infrastructure planning and infrastructure charging information, including a calculator to assist interested parties assess the likely standard infrastructure charge on a proposed development under a standard planning regime.

Do you: Agree? Disagree?

Comment:

Recommendation 10: Queensland Government to be responsible for determining the standard infrastructure charge

The Queensland Government to be responsible for determining the maximum standard infrastructure charge and governance arrangements, including:

- policy setting for the standard infrastructure charge (in consultation with local governments and the development industry)
- periodic review of the standard infrastructure charge

Do you: Agree? Disagree?

Comment:

Recommendation 11: A maximum standard infrastructure charge to be set for residential development, between \$20 000 and \$30 000 per house.

A maximum standard infrastructure charge be applied to residential developments under a standard planning regime based upon consideration of an amount between \$20 000 and \$30 000 per house.

Notes:

- the maximum standard infrastructure charge will be differentiated by residential development type such as house and unit
- Local governments will continue to have the discretion to apply revenue policy to set a lower charge, however, the charge must be published to provide transparency and certainty relating to the time period any lower charge may be operational
- the implementation of the maximum standard infrastructure charge is contingent on the LFC subsidy being implemented.

\$20 000

Do you: Agree? Disagree?

Comment:

\$30 000

Do you: Agree? Disagree?

Comment:

Recommendation 13: Regulated infrastructure contributions to be disconnected from the plan for trunk infrastructure

Maximum standard charges to be disconnected from the plan for trunk infrastructure, but noting that plans for trunk infrastructure will still be required for financial management, asset management and capital programming for local governments.

Do you: Agree? Disagree?

Comment:

Recommendation 14: LGAQ to explore appropriate improvements to the administration of infrastructure charges

Feasibility options for more efficient and effective charge administration to be considered by the LGAQ in consultation with the QTC and local government Infrastructure Services (LGIS).

Do you: Agree? Disagree?

Comment:

Appendix 6: Map of old recommendations to new

Existing wording in interim report	Proposed recommendation in final report	Commentary
<p><i>N/A—New recommendation</i></p>	<p>1. <i>The following principles be adopted as a guide to improving the current infrastructure charging system</i></p> <p>a. Certainty: <i>Infrastructure charges should be predictable with respect to the quantum and timing and in accordance with the declared regime</i></p> <p>b. Transparency and accountability: <i>Infrastructure charges should be transparent, understandable and defensible. Infrastructure charging regimes should be supported by publicly assessable information regarding the determination of the charges and the allocation of the funds generated</i></p> <p>c. Equity and reasonableness: <i>Infrastructure charges should be shared for the benefit of all Queenslanders with regard to the affordability for the community, industry, government and property owner</i></p> <p>d. Simplicity and consistency: <i>Infrastructure charges should be clearly defined in line with published methodologies and schedules. Infrastructure charges should be derived, collected, held and spent consistently across responsible authorities</i></p> <p>e. Efficiency and economic impacts: <i>Infrastructure charges should not unnecessarily inhibit allocative, administrative or transactional efficiency, so as to facilitate development</i></p>	<p>This new recommendation affirms what was in interim report as principles but not stated as a recommendation. The taskforce terms of reference sought recommendation on principles.</p>

Existing wording in interim report	Proposed recommendation in final report	Commentary
Old Recommendation 1		
<p><i>Maximum standard charges to be set for standard planning regime</i></p> <p>A maximum standard infrastructure charge to apply in areas subject to standard planning approaches. The regime proposed would be a standard planning regime of standard charges based on the current infrastructure networks of water, waste water, stormwater, transport, and open space/community.</p> <p>Note:</p> <ul style="list-style-type: none"> ▣ The current process of determining an infrastructure charge for special purpose planning areas (urban development area or master planned area) will continue. ▣ For special purpose planning areas, where an infrastructure agreement may be required, the relevant planning authority will determine whether a standard infrastructure charge will apply to a proposed development. 	<p>4. <i>Maximum standard charges for residential development and non-residential development to be applied in standard planning regime.</i></p>	<p>No change of intent to old recommendation 1, but sees clarity around application in residential and non-residential land uses and also confirms that UDAs and MPAs to continue to be subject to site specific infrastructure charging regimes.</p>
Old Recommendation 2		
<p><i>Maximum standard charges to be differentiated by development type/residential development type</i></p> <p>For the standard planning regime, a maximum standard infrastructure charge be differentiated by the various categories of:</p> <ul style="list-style-type: none"> ▣ development (e.g. urban residential, non-urban residential, industrial, commercial, retail) noting that there may be some exceptions such as rural and remote communities. ▣ residential development type such as house and unit. 	<p>2. <i>A maximum standard charges framework be introduced and implemented as follows:</i></p> <p>a. <i>Maximum standard charges to be differentiated for residential development types</i></p> <p>b. <i>A maximum standard charge between \$20 000 and \$30 000 per house be set for residential development where water infrastructure is not subject to regulatory pricing</i></p>	<p>New broader recommendation on standardising of charges.</p> <p>No change of intent to old recommendation 2.</p> <p>No change to intent from old recommendation 11, but flags that water pricing will have implications once it applies.</p>

Existing wording in interim report	Proposed recommendation in final report	Commentary
Old Recommendation 2 <i>continued</i>	<p>c. <i>Maximum standard charges for non-residential development where water and wastewater infrastructure is not subject to regulatory pricing be set within the range as below:</i></p> <ul style="list-style-type: none"> i. <i>Accommodation (short term)—maximum 0.5 per standard residential rate</i> ii. <i>Accommodation (long term)—maximum as per standard residential rates</i> iii. <i>Places of Assembly—range of \$30 to \$70 m² GFA + \$10 per impervious m² for stormwater.</i> iv. <i>Commercial (bulk goods)—range of \$90 to \$140 m² GFA + \$10 per impervious m² for stormwater.</i> v. <i>Commercial (retail)—range of \$125 to \$200 m² GFA + \$10 per impervious m² for stormwater</i> vi. <i>Commercial (office)—range of \$110 to \$140 m² GFA + \$10 per impervious m² for stormwater</i> vii. <i>Education Facility—range of \$115 to \$140 m² GFA + \$10 per impervious m² for stormwater.</i> viii. <i>Entertainment—maximum \$200 m² GFA + \$10 per impervious m² for stormwater.</i> ix. <i>Indoor Sport and Recreational Facility—maximum \$200 m² GFA, court areas at \$20 m² GFA + \$10 per impervious m² for stormwater.</i> x. <i>Industry—range of \$16 to \$50 m² GFA + \$10 per impervious m² for stormwater</i> xi. <i>High Impact Industry—range of \$16 to \$70 m² GFA + \$10 per impervious m² for stormwater</i> xii. <i>Low Impact Rural—Nil charge</i> xiii. <i>High Impact Rural—maximum \$20 m² GFA</i> xiv. <i>Essential Services—maximum \$140 m² GFA + \$10 per impervious m² for stormwater.</i> xv. <i>Specialised uses—use and demand determined at time of assessment.</i> xvi. <i>Minor Uses—Nil charge.</i> 	<p>Significant changes to old recommendation 12, in that now recommending non-residential charges be set and managed like residential i.e. 3 years, escalated etc.</p>

Existing wording in interim report	Proposed recommendation in final report	Commentary
Old Recommendation 2 <i>continued</i>		
	<p>d. <i>Where a local government can demonstrate for financial sustainability reasons that its unique infrastructure requirements do not support the application of the maximum standard charges for non-residential development outlined above, a specific set of charges may be considered, and in these rare cases, all other aspects of these reforms including transparency, public access to information, escalation, review and the like would apply.</i></p>	<p>New sub-recommendation to accommodate circumstances where a council may have a case to apply maximum charges outside the range suggested by sub-section 2(c).</p>
	<p>e. <i>Queensland Government in consultation with local government and the development industry to be responsible for determining the maximum standard charges for residential development and non-residential development.</i></p>	<p>No significant change of intent from old recommendation 10, but minor change that sees coverage of both residential and non-residential. Also reflects strong position in consultation that local government be consulted on the charges.</p>
Old Recommendation 3		
<p><i>Local governments to have the discretion to apply a revenue subsidy to the maximum charge.</i></p>	<p>3. <i>Arrangements should be put in place to manage the payment, distribution and apportionment of charges under the standard charges framework as follows:</i></p>	<p>New broader recommendation on management of payments, distribution and apportionment of charges.</p>
<p>For the standard planning regime, local governments to have the discretion to apply a lower charge than the maximum charge.</p>	<p>a. <i>Local governments to have the discretion to apply a revenue subsidy to reduce maximum charge</i></p>	<p>No change on intent from old recommendation 3.</p>
	<p>b. <i>Local governments to be responsible for allocating distribution of revenue from charges across local government controlled networks</i></p>	<p>New sub-recommendation to enable distribution of revenue across networks on a LGA by LGA as needs basis.</p>
	<p>c. <i>Early consideration be given by the Queensland Government to how charges for water and waste water networks will transition from current arrangements to the regulatory pricing arrangements in 2013</i></p>	<p>New sub-recommendation that reflects emerging issue around interface between water infrastructure and other infrastructure charges and need to have clarity on transitional approach.</p>
	<p>d. <i>When regulatory water pricing is introduced, the local governments and water entities will need to determine the split of infrastructure charges for residential development and non-residential development</i></p>	<p>New sub-recommendation that reflects need for SEQ LGAs and SEQ water entities to be clear about level of charges once deterministic pricing is introduced and the split of revenue between SEQ LGAs and SEQ water entities.</p>

Existing wording in interim report	Proposed recommendation in final report	Commentary
	e. <i>A deferred payment mechanism to be introduced for standard charges.</i>	No change of intent from old recommendation 8, but minor change that sees coverage of both residential and non-residential.
Old Recommendation 4		
<p><i>Queensland Government to subsidise requirement for LFCs to apply for 3 years</i></p> <p>The Queensland Government to subsidise the requirement for LFCs to apply for 3 years, and review the policy to coincide with the review of the 3 year implementation of the standard charges regime.</p>	<p>9. <i>Queensland Government to place a moratorium on the collection on its behalf by local governments of local function charges for 3 years.</i></p>	<p>No significant change of intent to old recommendation 4, but language change to reflect better understanding of existing operating arrangements for LFC collection.</p>
Old Recommendation 5		
<p><i>Standard charges to be set for 3 years</i></p> <p>For the standard planning regime, a maximum standard infrastructure charge to be:</p> <ul style="list-style-type: none"> ■ applied to all development applications decided after 1 July 2011. The maximum standard infrastructure charge regime will be in place up to 30 June 2014. It is intended that the Sustainable Planning Act 2009 will be amended to include transitional arrangements dealing with the introduction of the maximum standard infrastructure charge regime to ensure that it does not operate retrospectively, or apply to development approvals given before 1 July 2011, and ■ escalated annually by an identified escalation factor. 	<p>5. <i>Maximum standard charges for residential development and non-residential development to be introduced as soon as possible and be set for 3 years from date of commencement with transitional arrangements to be as follows:</i></p> <ul style="list-style-type: none"> a. <i>For existing development applications yet to be decided—application of the charging framework in force at the time the decision is made.</i> b. <i>For appeals involving infrastructure charges matters that are unresolved at the commencement of the standard charges framework—application of the charging regime in force at the time the development application appeal or infrastructure charges appeal is resolved.</i> c. <i>For existing development approvals—the standard charges framework is not to be applied retrospectively.</i> 	<p>No change of intent to old recommendation 5, but allows standard charge to apply for residential and non-residential.</p> <p>Sub-recommendations cover key transitional issues about application of the standard charges.</p>

Existing wording in interim report	Proposed recommendation in final report	Commentary
Old Recommendation 6		
<p><i>Maximum standard infrastructure charges to be escalated annually</i></p> <p>The regulated infrastructure contribution under the standard planning regime to be escalated by the ABS PPI Construction Index—Queensland Roads and Bridges (on a three-year moving average).</p>	<p>6. <i>Maximum standard charges for residential development and non-residential development to be escalated annually by the ABS PPI Construction Index—Queensland Roads and Bridges (on a 3-year moving average)</i></p>	<p>No change of intent to old recommendation 6, but this sees residential and non-residential costs escalating at the rate agreed by the taskforce.</p>
Old Recommendation 7		
<p><i>Standard planning regime infrastructure charges to be monitored and an ex post evaluation conducted</i></p> <p>An ex-post evaluation of the maximum standard infrastructure charge, applicable under the standard planning regime, should be concluded prior to 3 years from the commencement of the new charging regime.</p> <p>Note: this evaluation would not preclude regular monitoring and assessment of the new charging arrangements being undertaken as required.</p>	<p>7. <i>Standard charges for residential development and non-residential development to be monitored and an ex post evaluation conducted.</i></p>	<p>No change of intent to old recommendation 7, but minor change which sees residential and non-residential being monitored and evaluated.</p>

Existing wording in interim report	Proposed recommendation in final report	Commentary
Old Recommendation 8		
<p><i>A deferred payment option to be introduced for standard charges</i></p> <p>Options for deferred payment by the developer of infrastructure charges to time of settlement of a lot be introduced, subject to:</p> <ul style="list-style-type: none"> ▣ Local government being provided with appropriate security of payment ▣ a maximum time period over which payment can be deferred ▣ Local government being provided with the flexibility to levy an interest charge, at the local government cost of debt, from liability to payment to account for local government holding costs. 	<p>See new Recommendation 3.</p>	<p>Included in new Recommendation 3e.</p>
Old Recommendation 9		
<p><i>Standard charge information to be accessible</i></p> <p>Establish and maintain a website to allow access to infrastructure planning and infrastructure charging information, including a calculator to assist interested parties assess the likely standard infrastructure charge on a proposed development under a standard planning regime.</p>	<p>10. LGAQ and local governments to explore appropriate improvements to the administration of infrastructure charges, including a publicly accessible standard charges framework that provides:</p> <p>a. <i>Information on standard charge rates for residential development and non-residential development</i></p> <p>b. <i>Information on infrastructure charges collected by local governments updated annually.</i></p>	<p>Brings together old recommendation 9 and old recommendation 14 and gives LGAQ and local governments' responsibility to improve administrative arrangements around transparency on charges and revenues collected.</p> <p>No change of intent to old recommendation 9, but minor change that ensures residential and non-residential information is accessible.</p> <p>New recommendation that sees local governments annually disclosing revenue collections.</p>

Existing wording in interim report	Proposed recommendation in final report	Commentary
Old Recommendation 10		
<p><i>Queensland Government to be responsible for determining the standard infrastructure charge</i></p> <p>The Queensland Government to be responsible for determining the maximum standard infrastructure charge and governance arrangements, including:</p> <ul style="list-style-type: none"> ▣ policy setting for the standard infrastructure charge (in consultation with local governments and the development industry) ▣ periodic review of the standard infrastructure charge 	See new recommendation 2.	Included in new recommendation 2d.
Old Recommendation 11		
<p><i>A maximum standard infrastructure charge to be set for residential development, between \$20 000 and \$30 000 per house.</i></p> <p>A maximum standard infrastructure charge be applied to residential developments under a standard planning regime based upon consideration of an amount between \$20 000 and \$30 000 per house.</p> <p>Notes:</p> <ul style="list-style-type: none"> ▣ the maximum standard infrastructure charge will be differentiated by residential development type such as house and unit ▣ Local governments will continue to have the discretion to apply revenue policy to set a lower charge, however, the charge must be published to provide transparency and certainty relating to the time period any lower charge may be operational ▣ the implementation of the maximum standard infrastructure charge is contingent on the LFC subsidy being implemented. 	See new recommendation 2.	Included in new recommendation 2b.

Existing wording in interim report	Proposed recommendation in final report	Commentary
Old Recommendation 12		
<p><i>Maximum standard charge—non-residential options to be considered under a standard planning regime</i></p> <p>Options for the application of a maximum standard infrastructure charge for non-residential development to be considered under a standard planning regime. This may include approaches such as a standardised methodology with standardised unit rates and demand factors.</p> <p>The methodology for a standard infrastructure charge regime for non-residential development will need to consider issues relating to demand on infrastructure such as:</p> <ul style="list-style-type: none"> ■ intensity of use ■ scale of development ■ incremental changes in development ■ transport demands ■ the broad range of non-residential uses ■ appropriate standardised and consistent metrics <p>Further consideration of the methodology for non-residential developments could include options such as:</p> <ul style="list-style-type: none"> ■ Sub-option 1: Using charge breakdown percentages from analysis and using nominal \$/m² rate ■ Sub-option 2: Using charge per incremental m² GFA built up from each network ■ Sub-option 3: Using charge per incremental m² GLA built up from each network ■ Sub-option 4: Continue to use the plan for trunk infrastructure on a modified basis for non-residential infrastructure charges. 	<p>See new recommendation 2.</p>	<p>Included in new recommendation 2c.</p>

Existing wording in interim report	Proposed recommendation in final report	Commentary
Old Recommendation 13		
<p><i>Regulated infrastructure contributions to be disconnected from the plan for trunk infrastructure</i></p> <p>Maximum standard charges to be disconnected from the plan for trunk infrastructure, but noting that plans for trunk infrastructure will still be required for financial management, asset management and capital programming for local governments.</p>	<p>8. <i>Queensland Government to undertake reforms for infrastructure planning and charging to take effect beyond 3 years that see a sustainable and simplified planning and charging system by providing for:</i></p>	<p>Largely new recommendation on reforms beyond the 3 year standard charges period. The taskforce meetings, presentations, and consultation results all indicate value in retaining the infrastructure planning work that has been done to date and the need to integrate infrastructure and land use planning. This largely new recommendation provides a pathway for Government to work towards overhauling the existing infrastructure planning and charging framework so that once the 3 year period of standard charges elapse, local governments move into a new and more sustainable, yet simplified and standardised infrastructure planning and charging regime.</p>
	<p>a. <i>A simplification of the existing legislative and regulatory infrastructure planning and charging requirements on local governments.</i></p>	<p>This new sub-recommendation is in response to the significant complexity that is obvious in the current legislative framework that has been established for infrastructure planning and charging currently in operation under SPA and IPA. This new recommendation could flag to Government that the issue is a significant one identified by the taskforce and complexity in the current infrastructure planning methodology is inhibiting simplicity and standardisation of charges due to their inextricable link.</p>
	<p>b. <i>A sustainable and simplified process for planning and calculating infrastructure charges for residential and non-residential land use beyond 3 years.</i></p>	<p>This flags that the current PIP and charges system requires revisiting. The taskforce is focused on getting a regime in place for the next 3 years. However, the work of the taskforce has identified complexity in the current system to be a barrier to standardisation and requires simplification. Local governments need certainty and a pathway beyond 3 years.</p>
	<p>c. <i>A retention of the priority infrastructure area and plans for trunk infrastructure as part of planning schemes for maximum transparency and integration of planning and land use</i></p>	<p>This flags that in the design of the system after the completion of the 3 year period there is value in retaining the priority infrastructure area and the plan for truck infrastructure, but flags that there is less value in retaining other elements of the existing PIP process. Consultation results indicate a clear view that the existing infrastructure planning work is valuable and reinforces the need for local governments to understand their long term infrastructure needs.</p>
	<p>d. <i>Independent review of the scope and appropriateness of local government plans for trunk infrastructure.</i></p>	<p>Flags that, with the proposed long term reforms and a reliance on plans for trunk infrastructure as the basis for charging calculations, there will likely need to be an independent assessment of the scope and appropriateness of what is included in the plans for trunk infrastructure. Provides a defence against claims of 'gold plating'.</p>

Existing wording in interim report	Proposed recommendation in final report	Commentary
	<p>e. <i>The continuation of the state-controlled road network to be part of the planning for the current local function charging arrangements and included in the plans for trunk infrastructure.</i></p>	<p>This sub-recommendation also flags that there is merit in retaining the planning for state roads infrastructure as part of a network.</p>
Old Recommendation 14		
<p><i>LGAQ to explore appropriate improvements to the administration of infrastructure charges</i></p> <p>Feasibility options for more efficient and effective charge administration to be considered by the LGAQ in consultation with the QTC and Local Government Infrastructure Services (LGIS).</p>	<p>See new recommendation 10.</p>	<p>Included in new recommendation 10.</p>

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