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Ineke Ogilvy
Independent Pricing and Regulatory Tribunal
PO Box K35
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email: [REDACTED]

Dear Ineke,

Review of the essential works list, nexus, efficient design, and benchmarking costs for local infrastructure

Thank you for the opportunity to comment on the *Review of the essential works list, nexus, efficient design and benchmarking costs for local infrastructure* report (the report). The Housing Industry Association (HIA) acknowledges the comprehensive work that IPART has undertaken in preparing the report and we are pleased to provide some comments in this letter.

HIA is Australia's national association representing the interests of the residential building industry. HIA represents a membership of 60,000 across Australia and this includes a diverse mix of companies, including new home builders, renovators, trade contractors, land developers, related building professionals, and suppliers and manufacturers of building products. HIA members construct over 85 per cent of the nation's new building stock.

HIA considers that the report provides a satisfactory review of the relevant issues and therefore for the greater part, we do not consider it necessary to provide detailed comment on each section. However, there are six sections of the report in which HIA would like to provide some brief comments, as further consideration or explanation for industry would be beneficial. These sections are:

- Section 4 - Proposed changes to the essential works list
- Section 5 - Developers should pay for local infrastructure when there is a nexus to the development
- Section 6 - Incorporating efficient design and delivery principles
- Section 8 - Process for updating the benchmark costs over time
- Section 9 - Costing approach as an alternative to using benchmark costs, and
- Section 10 - Updates over the life of a contributions plan

HIA has not responded directly to the *Seek Comment* prompt questions, rather our responses are of a general nature to try and assist IPART with further iterations of the report.

Section 4 - Proposed changes to the essential works list

Getting the balance right between flexibility and certainty is important and the benefits and reasons why are well understood by industry, as is from time-to-time that flexibility may need to prevail over certainty or vice-versa. What is often most beneficial to industry when aiming to get the balance right is a high level of transparency – through all stages; concept, preparing, implementing, and finalising an essential works list. By this, HIA means that those providing the contribution must have ease of access to all relevant information that is the basis for decision making, including when borrowing costs to forward fund infrastructure are being considered / implemented.

Local government must have a willingness to engage in open dialogue with industry and a preparedness to consider and implement other approaches, such as, appropriate items for inclusion on an essential works list, alternative design and procurement responses and works in kind.

Section 5 - Developers should pay for local infrastructure when there is a nexus to the development

It is submitted that a worthwhile additional dot point to the three dot points listed under the heading *5.1 Overarching principles should guide nexus decisions* (Page 26) would be to note that in establishing a nexus is not to imply full cost recovery, or for that matter even close to full cost recovery. It is considered a dot point such as this would assist with reinforcing the principles that are at the core of this discussion – that being a *contributions* system.

Section 6 - Incorporating efficient design and delivery principles

The phrase *resilience to climate change* is referenced a number of times throughout this section. Whilst HIA is fully cognisant as to why such a term is being referenced, it is also important to ensure related infrastructure matters are also duly considered and discussed. In reference to this, it is important that adequate allowance is being made for the regular and routine maintenance of an asset **not** using funds from infrastructure contributions.

Regular and routine maintenance of an asset, to ensure it is resilient and always remains fit for purpose, once it has been constructed and provided to a government agency, is an important consideration that must **not** form part of an infrastructure contributions system.

HIA consider it may be appropriate to explore this further as a principle.

Section 8 - Process for updating the benchmark costs over time; and Section 9 - Costing approach as an alternative to using benchmark costs

Benchmark costing has the very real risk of being too general. The lack of specificity can often lead to infrastructure items being over-priced, for this reason HIA does not support benchmark costs as a means of calculating infrastructure items. The issues raised above therefore only become exacerbated over time as they are updated.

Similar to comments made above at Section 4, councils must be held accountable to a high level of transparency to provide detailed further information to justify deviations from the standard benchmark costs.

Section 10 - Updates over the life of a contributions plan

Notwithstanding HIA's earlier comments in this response in relation to benchmark costs, matters raised in relation to updates over the life of a contributions plan, particularly the Table 10.1 - Guiding principles for determining when to update plans are considered adequate.

Once again thank you for the opportunity to provide comments on the report and please contact Cathy Towers, Assistant Director Planning in the first instance if you would like clarification of any of the matters raised. Cathy can be contacted on telephone number [REDACTED].

Yours sincerely
HOUSING INDUSTRY ASSOCIATION LIMITED



David Bare
Executive Director NSW