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Australia's property industry

## Creating for Generations

10 May 2019

Sarah Blackwell  
Director – Local Infrastructure Contributions  
Independent Pricing and Regulatory Tribunal  
PO Box K35  
Haymarket NSW 1240

[localgovernment@ipart.nsw.gov.au](mailto:localgovernment@ipart.nsw.gov.au)

Dear Ms Blackwell

### Re: Indexation of Contribution Rates

I refer to the discussion paper released by the Independent Pricing and Regulatory Tribunal (IPART) in April 2019.

The regulatory framework governing infrastructure contributions in New South Wales is burdened by excessive complexity, red tape and a poor level of transparency. It does not operate to deliver good outcomes for local government, the development industry or communities. Reform to the local infrastructure contributions system to improve its performance.

Having regard to the IPART's proposal outlined in the discussion paper, the members of the Property Council of Australia would prefer a consistent approach to the indexation of section 7.11 contribution rates. Ideally, there should be a single benchmark used for indexation for both local contributions and Special Infrastructure Contributions (SIC) that is applied to avoid complexity. This should not be a matter that individual councils determine but mandated across NSW by the State government.

### CPI versus PPI

Historically contribution rates in council Section 94 plans have been indexed to the Consumer Price Index (CPI) and this has been widely accepted by the industry. Theoretically the Producer Price Index (PPI) is an appropriate benchmark for industry as it reflects price movements paid by consumers rather than producers. Both indexes have the potential to be influenced by one-off events which are not relevant to the development or infrastructure industries. The PPI tends to be higher than the CPI in periods of high non-residential construction demand (for example periods with large investments in transport and mining projects) and using the PPI for indexation of local infrastructure plans would be unfair to the housing sector.

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### **Land Value Index (LVI)**

The Property Council acknowledges that there can be significant volatility in land values and this is a significant issue for local councils as they implement their infrastructure delivery plans. Resolving escalating land costs between the time a contribution plan is developed and when the land is acquired is difficult for councils in high growth areas. It is appropriate that a special indexation methodology is required for high growth areas compared to other parts of NSW.

Use of a land value index is not supported as land values can increase at different rates across NSW depending on local market factors. If this option was pursued by IPART it would need to ensure that there is a clear standardised methodology and guidance note on how councils should calculate the index. If this was not to occur then there would be a clear risk of councils adopting different approaches to suit their own agendas. We would prefer IPART's preferred option to allow an alternate ABS index to be used for in respect to indexation of the land component of contribution plans.

In the absence of a broader review of the framework governing local infrastructure contributions, the discussion paper issued by IPART has allowed for the property industry to provide comment on this important issue. We generally support the initiative of IPART to consider the issue and provide for improved consistency and transparency.

Should you require any further information, please contact Troy Loveday, Senior Policy Advisor on

Yours sincerely

**William Power**  
**Acting NSW Executive Director**  
**Property Council of Australia**