Planning and Other Legislation (Make Developers Pay) Amendment Bill 2023

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Urban Utilities

Inquiry into Planning and Other Legislation (Make Developers Pay) Amendment Bill 2023

Urban Utilities Submission

13th December 2023

Introduction

Thank you for the opportunity to make a submission on the response to the Planning and Other Legislation (Make Developers Pay) Amendment Bill 2023.

Urban Utilities is a statutory authority, and as the Central South-east Queensland Distributor-Retailer Authority, it has responsibility for the region's drinking water distribution and wastewater services across the Brisbane and Ipswich City Council areas and Scenic Rim, Somerset, and Lockyer Valley Regional Council areas.

On 15 November 2023, Michael Berkman MP, Member for Maiwar, introduced the Bill into the Queensland Parliament. The Bill was referred to the State Development and Regional Industries Committee for detailed consideration. The committee is required to report by Wednesday, 15 May 2024.

The objective of the Bill is to give local governments flexibility to charge developers for trunk infrastructure according to the cost of delivering that infrastructure.

The Bill seeks to amend the *Planning Act 2016* and the *South-East Queensland Water (Distribution and Retail Restructuring Act) 2009* to remove references to maximum adopted charges for providing trunk infrastructure for development. The proposed changes are intended to allow local governments to increase the charges levied on developers to fund local infrastructure such as pedestrian crossings, parks, flood mitigation, public and active transport and other community services and facilities.

Background

The development industry has seen significant shifts in trends and outcomes over the last 12 to 18 months, brought on by various contributing factors such as:

a. Stronger than anticipated return of net overseas migration following the reopening of Australian borders in early 2022, where inflation and displaced persons affected by disasters are putting greater pressure on rental demands.
b. Development cost pressures with the national construction price index peaking at 11.9% over 12 months to December 2022 due to factors including inflation, materials supply constraints and skilled labour shortages.
c. Increased borrowing cost with the sharpest cash rate increases observed from March 2020.
d. A downturn in national property listings, which is fuelled by the uncertainty about further interest rate hikes, consequently, causing vendors to keep dwelling and lot inventories at below-average levels to gain some negotiating leverage.

These trends have important consequences for organisations like Urban Utilities which delivers trunk infrastructure to support housing growth. Urban Utilities seeks to support growth with prudent and efficient expenditure sufficient for both existing and future customers. Urban Utilities relies on Infrastructure Charges to recover the costs of supporting growth through investments in trunk (shared community) infrastructure. At present, the Maximum Adopted Charge (MAC) is set at a level that does not allow for appropriate recovery of this investment.

Furthermore, Urban Utilities is obligated to reimburse development customers who construct trunk infrastructure, as defined by the Water Netserv Plan, at quoted market rates.

Specific Issues

Urban Utilities, along with other trunk infrastructure providers, plays a key role in supporting growth and essential services in south-east Queensland. Our objective is to continue to plan for efficient and prudent expenditure that supports this growth in a sustainable manner

However, since its inception, the MAC has not increased in line with inflation and thus a widening gap between funding and the costs of investment has evolved for Councils and Water distributor retailers, including Urban Utilities. Urban Utilities is working with other Queensland water distributor-retailers, shareholder councils and other local government stakeholders to advocate for the MAC to be raised appropriately (on an annual basis) that reflects growth investment expenditure and ensures sustainable service provision to all South-east Queenslanders.

Any shortfall in growth driven investment funding (growth investment expenditure less funding received through the MAC) can only be recovered from existing and future community customers through higher utility charges resulting in a cross-subsidy of development costs. Urban Utilities is conscious of placing further burden on its customers from this funding gap, which exacerbates the cost impacts of the current and ongoing cost of living crisis.

With the ongoing cost of living crisis and increasing interstate and overseas migration, there are complex factors to consider in any method to increase funding for development, however Urban Utilities considers that there is universal agreement for cost recovery principles being adhered to. While entirely removing the MAC provides one avenue for removing the artificial funding cap that currently inhibits recovery of costs for growth infrastructure, Urban Utilities suggests careful consideration be given to all solutions that may effectively help to resolve the difficult trade-offs between rapidly rising costs for infrastructure across councils, utilities and the development sector while supporting growth to alleviate the current housing crisis. Urban Utilities' own pricing principles support cost reflectivity, equity and sustainability, and applying some form of regulation to infrastructure charges, would help to ensure that costs are fairly apportioned while also better reflecting the costs of delivering growth infrastructure.

Urban Utilities recognises that further work will be necessary to determine the impacts and potential perverse incentives that might be created if there were no control on maximum charges and no guidance on how they should be set. The impacts on the application of a potential Average Costing approach would also need to be determined.

Urban Utilities preference therefore would be for the MAC to be raised in a manner that reflects the compounded shortfall from the lack of past regular adoption of annual increases, indexed annually by the deemed appropriate mechanism that consistently reflects the costs of investing in existing and future infrastructure that supports ongoing growth across south-east Queensland.

Summary

Urban Utilities would be happy to be involved in further consultation on this topic and thanks the Committee for the opportunity to provide a submission on the proposed Bill. The contact point at Urban Utilities is Rob Fearon (General Manager City and Regional Futures) – email: [redacted] phone: [redacted]

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