

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

**Submission No:** 12  
**Submitted by:** Local Government Association of Queensland  
**Publication:** Making the submission and your name public  
**Attachments:** See attachment  
**Submitter Comments:**

13 December 2023

Committee Secretary  
State Development and Regional Industries Committee  
Parliament House  
George Street  
Brisbane Qld 4000

By Email: [SDRIC@parliament.qld.gov.au](mailto:SDRIC@parliament.qld.gov.au)

Dear Sir/Madam,

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

The Local Government Association of Queensland (LGAQ) welcomes the opportunity to provide feedback to the State Development and Regional Industries Committee on the *Planning and Other Legislation (Make Developers Pay) Amendment Bill 2023* (the Bill).

The inequities and inefficiencies that currently exist under Queensland's infrastructure funding and charging framework raise significant concerns for local governments statewide.

The current Maximum Allowable Charge (MAC) for trunk infrastructure has not kept pace with increasing construction costs – resulting in growing funding shortfalls throughout Queensland. Preliminary research commissioned by the LGAQ suggests that, under the current MAC, local governments are only able to recover ~50 per cent of trunk infrastructure costs from developers.

This is a significant funding gap that risks the financial sustainability of local governments throughout Queensland.

The LGAQ and Queensland councils have been consistently calling for the modernisation of Queensland's infrastructure funding and charging framework over multiple years, to reduce the trunk infrastructure funding gap and minimise cost-shifting onto councils and local communities.

While local governments throughout Queensland have not previously called for the removal of the MAC altogether (as is proposed by the Bill), there is broad agreement that the current MAC needs to be increased and more appropriately indexed. In addition, there is support among councils for a broader range of infrastructure funding solutions.

While the Bill starts a necessary conversation regarding these concerns, the LGAQ believes a more fulsome, nuanced approach is needed – with a range of short- and long-term solutions.

As such, while the LGAQ cannot support the Bill in its current form, we would welcome the opportunity to work alongside the government on infrastructure charging and funding modernisation, in consultation with Queensland councils.

Please do not hesitate to contact Matthew Leman – Lead, Planning and Development Policy via email at [REDACTED] or phone on [REDACTED] should you wish to discuss any aspect of this submission.

Yours sincerely



Alison Smith  
CHIEF EXECUTIVE OFFICER



Every Queensland  
community deserves  
to be a liveable one

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

Submission to State Development and Regional  
Industries Committee

December 2023

Web: [www.lgaq.asn.au](http://www.lgaq.asn.au)

Twitter: @LGAQ

LinkedIn: Local Government Association of Queensland

Facebook: @LocalGovQld

Instagram: @localgovqld



## Contents

1.0	Executive Summary.....	4
1.1	Recommendations.....	5
2.0	Introduction.....	7
2.1	LGAQ Policy Statement.....	8
2.2	LGAQ Annual Conference Resolutions.....	9
3.0	Previous LGAQ Research Findings – Cost of Development.....	11
4.0	Feedback on the Bill.....	12
4.1	Scope of solutions.....	12
4.2	Consultation with local governments.....	14
4.3	Data inputs.....	14
5.0	Conclusion.....	17

## About the Local Government Association of Queensland (LGAQ)

The Local Government Association of Queensland (LGAQ) is the peak body for local governments in Queensland. It is a not-for-profit association established solely to serve local governments and their needs. The LGAQ has been advising, supporting, and representing local governments since 1896, enabling them to improve their operations and strengthen relationships with their communities. The LGAQ does this by connecting local governments to people and places; supporting their drive to innovate and improve service delivery through smart services and sustainable solutions; and providing them with the means to achieve community, professional and political excellence.

## Partners-in-Government Agreement

The LGAQ, on behalf of all 77 Queensland local governments, is a signatory to a three-year Partners in Government Agreement with the State of Queensland.

The Agreement details the key principles underlying the relationship between the State and local governments and establishes the foundation for effective negotiation and engagement between both levels of government.

The Agreement acknowledges that local government is the closest level of government to the community, affecting the lives of everyday Queenslanders and acknowledging local government as a genuine partner in the Australian government system.

The intent of the agreement was to continue the tradition of working in genuine partnership to improve the quality of life for all Queenslanders to enjoy. By identifying the roles and responsibilities of each party, it provides a solid foundation for effective negotiation and engagement between both levels of government.

The LGAQ is committed to working with the Queensland Government and will continue to be a passionate advocate for local governments, to serve our joint jurisdiction for the people of Queensland.

## Rural and Remote Councils Compact

The Rural and Remote Councils Compact<sup>1</sup> signed on 25 June 2021, complements the existing Partnership in Partners-in-Government agreement in place between the LGAQ and the Queensland Government to provide a platform to ensure issues of priority for these communities are properly considered by the Government when developing policies, programs, and legislation.

The Rural and Remote Councils Compact, pledges to amplify the voice of and improve outcomes for the state's 45 rural and remote councils and their local communities by enhancing engagement between both levels of government.

---

<sup>1</sup> A copy of the Rural and Remote Councils Compact can be found [here](#).

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

## 1.0 Executive Summary

The LGAQ welcomes the opportunity to provide feedback to State Development and Regional Industries Committee (the Committee) on the *Planning and Other Legislation (Make Developers Pay) Amendment Bill 2023* (the Bill), which was introduced by Michael Berkman MP, Member for Maiwar on 15 November 2023.

The LGAQ understands the Bill seeks to give local governments the flexibility to charge developers for trunk infrastructure according to the cost of delivering that infrastructure, by removing the 'Maximum Adopted Charge' (MAC). While Queensland councils have long been calling for a more equitable infrastructure charging and funding framework, removal of the MAC altogether has not been suggested previously.

As acknowledged by the Bill, the inequities and inefficiencies that currently exist in Queensland's infrastructure funding and charging framework, including the MAC under the *Planning Regulation 2017*, raise significant concerns for local governments statewide.

Local governments nationally, receive only 3.3 per cent of total taxation revenue, yet play a key role both directly, and in supporting other levels of government and the private sector, to deliver, operate and maintain trunk infrastructure.

The current MAC has not kept pace with increasing construction costs – resulting in growing funding shortfalls throughout Queensland. Preliminary research commissioned by the LGAQ in 2023 suggests that, under the current MAC, local governments are only able to recover ~50 per cent of trunk infrastructure costs from developers.

This is a significant funding gap that risks the financial sustainability of local governments throughout Queensland - with councils left with limited other funding mechanisms to rely on to support trunk infrastructure, such as grants and subsidies, and rates.

The need for change is clear. This year's research by the LGAQ will be the third time in ten years that the local government peak body has commissioned work to assess the gap and provide clear evidence to warrant a fix from the State Government.

Meanwhile, in addition to concerns with the MAC, ongoing increased funding for catalytic infrastructure is also a high priority for local governments.

Such funding is needed to facilitate, unlock and support growth and development - including to support the development industry to deliver the almost 100,000 residential lots already approved by Queensland councils.

The State Government's Catalytic Infrastructure Fund, Growth Acceleration Fund and previous Building Acceleration Fund have proven this approach works.

However, the State is yet to adopt a long-term, ongoing funding solution to support regional growth and economic development.

In addition, the State Government is yet to release a promised discussion paper to work towards a more equitable infrastructure charging framework<sup>2</sup> in Queensland<sup>2</sup>.

Further underscoring the need for change is the most recent Local Government 2022 Financial Audit Report<sup>3</sup> by the Queensland Audit Office. The report identifies that 46 councils are at either a moderate or a high risk of not being financially sustainable.

Recent announcements from the Federal Government to cut or delay approved infrastructure projects, and to move to a 50-50 funding model going forward, further emphasise the need for infrastructure funding modernisation.

Councils hold concerns these changes to federal infrastructure investment will stall economic growth, hinder job creation, fetter investment attraction, and limit productivity improvements supported by infrastructure development. Furthermore, these changes will place increased pressure on already constrained local governments and communities.

The LGAQ and Queensland councils have been consistently calling for the modernisation of Queensland's infrastructure funding and charging framework over multiple years, to reduce the trunk infrastructure funding gap and minimise cost-shifting onto councils and local communities.

While the Bill addresses some of these concerns, the LGAQ believes a more fulsome, nuanced approach is needed – with a range of short- and long-term solutions.

As such, while the LGAQ cannot support the Bill in its current form, we would welcome the opportunity to work alongside the government on infrastructure charging and funding modernisation, in consultation with Queensland councils.

## 1.1 Recommendations

The LGAQ has made 8 recommendations which are summarised below:

- **Recommendation 1:** The LGAQ recommends the Bill not be passed in its current form, and rather, a broader suite of short- and long-term solutions be developed to address infrastructure funding concerns, in consultation with Queensland councils.
- **Recommendation 2:** The LGAQ recommends the Maximum Adopted Charge (MAC) be increased immediately by 22 per cent, in accordance with the State Government's 2011 commitment.
- **Recommendation 3:** The LGAQ recommends the State Government commit to annually escalating the MAC in accordance with the Road and Bridge Construction Index, in accordance with the State Government's 2011 commitment.

---

<sup>2</sup> A copy of the State Government's commitment to release a discussion paper can be found [here](#).

<sup>3</sup> A copy of the Queensland Audit Office's Local Government Financial Audit Report 2022 can be found [here](#).

- **Recommendation 4:** The LGAQ recommends the State Government commit to investing a further \$500 million per year for at least four years through a Catalytic Infrastructure Investment Fund, to support investment in core trunk infrastructure and critical renewal and augmentation of water, sewerage, drainage and road assets.
- **Recommendation 5:** In considering the Bill (which is intended to support local governments), the LGAQ requests relevant resolutions passed by local governments at LGAQ Annual Conferences be considered.
- **Recommendation 6:** If the Bill is not passed, the LGAQ recommends the State Government commit to modernising Queensland's existing infrastructure charging and funding framework to reduce the funding gap for trunk infrastructure and cost shifting onto councils and the community, in consultation with Queensland councils.
- **Recommendation 7:** The LGAQ recommends the State Government continue with its commitment to release a discussion paper to identify issues and opportunities to work towards a more sustainable infrastructure funding model in Queensland, including for local, state and regionally significant infrastructure.
- **Recommendation 8:** The LGAQ recommends more recent and fulsome research be relied upon for policy development, developed with input from and in consultation with local governments.

Please do not hesitate to contact Matthew Leman, Lead – Planning and Development Policy via email at [REDACTED] or phone on [REDACTED] should you wish to discuss any aspect of this submission.



## 2.0 Introduction

The LGAQ welcomes the opportunity to provide feedback to the State Development and Regional Industries Committee (the Committee) on the *Planning and Other Legislation (Make Developers Pay) Amendment Bill 2023* (the Bill), which was introduced by Michael Berkman MP, Member for Maiwar on 15 November 2023.

The LGAQ understands the Bill seeks to give local governments the flexibility to charge developers for trunk infrastructure according to the cost of delivering that infrastructure. The LGAQ welcomes the discussion this Bill starts.

As acknowledged by the Bill, the current infrastructure funding and charging framework raises significant concerns for local governments and requires modernisation.

The current Maximum Adopted Charge (MAC) has not kept pace with increasing construction costs – resulting in growing funding shortfalls throughout Queensland.

While local governments throughout Queensland have not previously called for the removal of the MAC altogether (as is proposed by the Bill), there is broad agreement that the current MAC needs to be increased and more appropriately indexed. In addition, there is support among councils for a broader range of infrastructure funding solutions.

The current system has forced local governments to rely on other funding mechanisms to support trunk infrastructure, which may become untenable in a cost-of-living crisis.

In addition to concerns with the MAC, ongoing funding for catalytic infrastructure is also a high priority for local governments – to unlock the ~100,000 residential lots already approved by Queensland councils. Councils are too often, and unfairly, targeted by claims that they should ‘unlock more land’ however, the reality is councils can only *facilitate* approvals - they can’t *activate* housing construction. With ~100,000 lots already approved, it shows councils have already been doing significant heavy-lifting to address the housing crisis.

The LGAQ and Queensland councils have been consistently calling for modernisation of Queensland’s infrastructure funding and charging framework over multiple years to address these concerns.

While the Bill addresses some of the concerns raised by Queensland councils, the LGAQ believes a more fulsome, nuanced approach is needed – with a range of short- and long-term solutions.

As such, while the LGAQ cannot support the Bill in its current form, we would welcome the opportunity to work alongside the government on infrastructure charging and funding modernisation, in consultation with Queensland councils.

This submission articulates the LGAQ’s key concerns with the Bill in its current form, organised into three topic areas, namely:

1. Scope of solutions;
2. Consultation with local governments; and
3. Data inputs.

Further detail regarding these concerns is provided below. In addition, an overview of the LGAQ Policy Statement is also provided (insofar as it relates to this submission), along with resolutions passed by Queensland councils at the LGAQ annual conferences, to give further context to these concerns.

## 2.1 LGAQ Policy Statement

The LGAQ Policy Statement<sup>4</sup> is a definitive statement of the collective voice of local government in Queensland. The relevant policy positions of local government in the context of the Bill, are as follows:

### Funding Assistance

- 3.1.4 Funding of Infrastructure
  - 3.1.4.1 *Local governments should have the right to access funding from both public and private sources, including partnerships and joint ventures with other spheres of government and the private sector. Federal and State legislation and policy should not impede such arrangements.*
  - 3.1.4.4 *Federal and State Government infrastructure grants and subsidy programs should be annually indexed in recognition of the increased costs of infrastructure provision and population growth.*

### Planning and Development

- 6.1.1 Strategic planning
  - 6.1.1.1 *Local government should be recognised as the sphere of government immediately responsible for land use planning and development assessment.*
  - 6.1.1.2 *Local government supports an effective planning system guided by appropriate legislation and balanced social, environmental, cultural and economic interests.*
  - 6.1.1.6 *Local government opposes State Government land use planning policy or intervention that inhibits local decision making.*
  - 6.1.1.8 *Local government supports an infrastructure designation framework that provides for appropriate local government engagement and approval processes to ensure compliance with relevant local planning instruments.*
  - 6.1.1.12 *Local government supports the use of a standard structure, definitions, codes and other components common to all local planning instruments to improve consistency without compromising the ability of local governments to respond to local planning issues.*
- 6.1.2 Infrastructure planning and charging
  - 6.1.2.3 *Local government supports the implementation of a permanent infrastructure funding framework that does not further shift the cost burden onto councils and the community.*
  - 6.1.2.4 *Local government supports the use of an adopted infrastructure charge option given the simplicity, legal clarity, and certainty provided by such a framework. Local government opposes the use of an adopted infrastructure*

<sup>4</sup> A copy of the LGAQ Policy Statement 2023 can be found [here](#)

*charge option where a maximum charge is imposed unless supported and offset by State Government subsidies for essential development infrastructure.*

- *6.1.2.5 Local government supports the annual indexation of the maximum adopted infrastructure charges by the Queensland road and bridge construction index.*
- *6.1.2.6 Local government supports the application of infrastructure charges for essential development infrastructure when calculated using a fair cost apportionment methodology.*

## 2.2 LGAQ Annual Conference Resolutions

The LGAQ is committed to member driven advocacy and working with councils to build stronger local governments and more resilient local communities. In the context of the Bill, several resolutions directly related to trunk infrastructure funding and charging modernisation have been passed by local governments at previous LGAQ Annual Conferences, since 2018. These resolutions should be referenced by the Committee in consideration of the Bill and are cited below.

### Resolution 153 (2023) – Adequate funding for infrastructure

*The LGAQ calls on the State Government to provide adequate funding for infrastructure to match any increase in dwelling and population projections imposed by the State Government during any review of regional plans including the (then) current ShapingSEQ review process.*

### Resolution 53 (2023) – Essential infrastructure grants

*The LGAQ calls on the State Government to amend how grants for essential infrastructure are determined and allocated, recognising the critical needs of smaller rural and remote councils by supporting more allocative funding opportunities.*

### Resolution 117 (2022) – Increase private developer contributions to infrastructure charges

*The LGAQ calls on the State Government to review the current cap placed on infrastructure charges to allow councils to secure greater developer contributions to fund the cost of infrastructure associated with private development.*

### Resolution 115 (2022) – Review of Infrastructure funding for Local Government in Queensland

*The LGAQ calls on the State Government to recognise the systemic infrastructure funding gap for local governments in Queensland and commit to investing a further \$500 million per annum for at least four years to support critical renewal and augmentation of water, sewerage, drainage and road assets.*

### Resolution 71 (2022) – Financial Support for Commenced Large Infrastructure Projects

*The LGAQ calls on the State and Federal governments to provide grant funding support for budgeted projects outside of South East Queensland that are under contract/commenced with a project value above \$5 million and are impacted by increasing costs which will result in significant impacts to a council's ability to invest in renewals/upgrades of infrastructure assets as planned. Further, we call for any future contracts to include a clause which allows for additional grant funding where required in a rising costs market.*

### Resolution 39 (2022) – Core Infrastructure Support

*The LGAQ calls on the State government to develop and invest in core trunk infrastructure that is impeding growth in housing in regional Queensland.*

### Resolution 46 (2020) – State Funding of Critical Infrastructure to Provide Water Security for Regional Towns

*That the LGAQ lobby the State Government to provide \$100m per annum over five years to support rural water and sewerage infrastructure, including replacement of weirs and dams as critical infrastructure required to provide water security to our communities.*

### Resolution 32 (2019) – Increased infrastructure funding from private developers

*That the LGAQ lobby the State Government to:*

- *Review current infrastructure charging caps placed on councils to allow for more infrastructure charges to be captured from developers to fund the infrastructure required to manage impacts of the development on local infrastructure; and*
- *Develop a State Government infrastructure charging mechanism to provide a clear and consistent methodology for the State Government to capture and collect infrastructure charges from developers for projects that impact State infrastructure.*

### Resolution 33 (2019) – Priority Development Areas - Loss of Infrastructure Charges

*That the LGAQ lobby the State Government to partner with local governments and or distributor-retailers (e.g. QUU) to develop alternatives to prevent the costs associated with development within Priority Development Areas (PDA) from being transferred to the local government and distributor-retailer customers.*

### Resolution #98 (2018) – Planning Powers – Contributions for state and regional infrastructure

*That the Local Government Association of Queensland advocate that the State Government undertake a comprehensive investigation and stakeholder consultation into a potential new infrastructure contribution to help fund key state and regional infrastructure required to support high growth areas.*

### 3.0 Previous LGAQ Research Findings – Cost of Development

When introduced, the MAC broke the nexus between charges to developers and the cost of delivering trunk infrastructure. This approach gives councils the ability to plan *strategically*, to ensure sufficient capacity in their trunk networks for *overall growth*. As such, the concept of a well-calibrated MAC is supported by local governments, however, removing the MAC altogether (in place of a cost-recovery system) has not been called for.

Because of this, the importance of correctly calibrating and annually indexing the MAC is critical.

Economic analysis commissioned by the LGAQ in 2013, estimated the funding gap for trunk infrastructure across Queensland's high growth areas. At the time, this research suggested 69.9% of infrastructure costs were being recovered through the MAC.

In 2018, the LGAQ commissioned further research to provide a clear, evidence-based position on the net effect of development on council financial sustainability. From this research, substantial negative impacts on financial sustainability were found to exist, particularly in areas of greenfield development - with development outside a priority infrastructure area showing the most adverse long-term financial outcomes for councils and local communities.

Now, in 2023, the LGAQ has commissioned further research to capture recent post-COVID cost escalations. This research will establish a contemporary baseline of the funding gap for trunk infrastructure and identify options for an equitable trunk infrastructure funding framework.

Preliminary findings suggest that, at present, local governments are only able to recover ~50% of trunk infrastructure costs from developers through the MAC. This represents a significant worsening since initial research was undertaken in 2013.

This system has forced local governments to rely on other funding mechanisms to support trunk infrastructure, such as recovering costs through rates, grants and subsidies.

## 4.0 Feedback on the Bill

In considering the Bill, the LGAQ has identified three key concerns – namely: the scope of solutions proposed, consultation with local governments, and data inputs.

Whilst the LGAQ agrees the current infrastructure charging and funding framework requires modernisation, a broader scope of solutions (beyond the MAC) should be interrogated – to holistically address short- and long-term concerns.

The LGAQ also believes any measures to modernise Queensland’s infrastructure charging and funding framework should be developed in consultation with local governments – to ensure measures proposed are fit-for-purpose and workable.

In addition, given recent changes in construction costs, the LGAQ believes more recent and fulsome research should be relied upon – to robustly justify proposed modernisation measures.

Further detail regarding these concerns is provided below.

### 4.1 Scope of solutions

The LGAQ supports the premise of the Bill, which highlights concerns with the current MAC.

Queensland’s MAC has not kept pace with rising construction costs and, indeed, warrants modernisation to protect the financial sustainability of local governments. However, removing the MAC altogether (as currently proposed) is not supported.

For context, in May 2010 the State Government established an Infrastructure Charges Taskforce, to address concerns with Queensland’s infrastructure charging framework. In March 2011 the Taskforce provided its report<sup>5</sup> to the State Government, outlining 10 recommendations.

All 10 recommendations were supported by the government.

One of the Taskforce’s recommendations (Recommendation 6) sought to ensure infrastructure charges were escalated annually, in accordance with the Road and Bridge Construction Index.

Despite this recommendation being supported by the government, the MAC has *not* been indexed to match the Road and Bridge Construction Index.

If the original \$28,000 charge (per 3-bedroom house lot) *had* increased in-line with the index, the current MAC would be 22% higher than it is. I.e. rather than a MAC of \$31,080, it would be \$37,854.

---

<sup>5</sup> A copy of the 2011 Infrastructure Charges Taskforce report can be found [here](#).

Preliminary research commissioned by the LGAQ suggests that, under the current MAC, local governments are only able to recover ~50% of trunk infrastructure costs from developers.

This places local governments throughout Queensland in a significantly financially constrained position. According to the Queensland Audit Office, of the 77 local governments in Queensland, 46 (60%) are considered 'moderate risk' or 'high risk' from a financial sustainability perspective.

This underscores the need to immediately amend the MAC to match the State's 2011 commitment, and to ensure it is indexed annually - in accordance with the Road and Bridge Construction Index.

In addition to concerns with the MAC, ongoing funding for catalytic infrastructure is also a high priority for local governments.

Increased funding for catalytic infrastructure is needed to facilitate, unlock and support growth and development - including to support the development industry to deliver the almost 100,000 residential lots already approved by Queensland councils.

The State Government has proven this approach works through its Catalytic Infrastructure Fund, Growth Acceleration Fund and previous Building Acceleration Fund.

However, no long-term, ongoing funding solution has been implemented.

As such, there is a clear need for ongoing investment (over at least the next four years) to support investment in trunk infrastructure.

While increasing and appropriately indexing the MAC will reduce the infrastructure funding gap moving forward, it will not address significant infrastructure funding shortfalls which already exist.

As such, the LGAQ believes more holistic and nuanced measures should be considered in consultation with local governments - to provide both immediate and long-term relief.

- **Recommendation 1:** The LGAQ recommends the Bill not be passed in its current form, and rather, a broader suite of short- and long-term solutions be developed to address infrastructure funding concerns, in consultation with Queensland councils.
- **Recommendation 2:** The LGAQ recommends the MAC be increased immediately by 22 per cent, in accordance with the State Government's 2011 commitment.
- **Recommendation 3:** The LGAQ recommends the State Government commit to annually escalating the MAC in accordance with the Road and Bridge Construction Index, in accordance with the State Government's 2011 commitment.
- **Recommendation 4:** The LGAQ recommends the State Government commit to investing a further \$500 million per year for at least four years through a Catalytic Infrastructure Investment Fund, to support investment in core trunk infrastructure and critical renewal and augmentation of water, sewerage, drainage and road assets.

## 4.2 Consultation with local governments

The current infrastructure charging and funding system is of significant concern for local governments and risks their ongoing financial sustainability. As such, as discussed above, the LGAQ supports the *concept* of establishing a more equitable infrastructure charging and funding system.

Notwithstanding, further consultation with local governments on potential solutions would ensure proposals are fit for purpose, balanced, and respond to the needs of local governments and their communities.

Of particular relevance are resolutions passed by local governments at prior LGAQ annual conferences.

These resolutions were raised by local governments, for local governments. And, if the intent of the Bill is to support local governments (as stated), these resolutions should be given regard.

In addition, despite commitments by the State Government to release a discussion paper to work towards a more 'equitable infrastructure charging framework' in Queensland<sup>6</sup>, the release of a discussion paper has not yet occurred.

The release of this discussion paper would provide a basis for discussion, and provide local governments, industry and the community with clarity regarding options being considered for infrastructure funding modernisation.

- **Recommendation 5:** In considering the Bill (which is intended to support local governments), the LGAQ requests relevant resolutions passed by local governments at LGAQ Annual Conferences be considered.
- **Recommendation 6:** If the Bill is not passed, the LGAQ recommends the State Government commit to modernising Queensland's existing infrastructure charging and funding framework to reduce the funding gap for trunk infrastructure and cost shifting onto councils and the community, in consultation with Queensland councils.
- **Recommendation 7:** The LGAQ recommends the State Government continue with its commitment to release a discussion paper to identify issues and opportunities to work towards a more sustainable infrastructure funding model in Queensland, including for local, state and regionally significant infrastructure.

## 4.3 Data inputs

The Explanatory Notes for the Bill refer to 2017 research by Griffith University's Bruce James. This research highlights the gap between the former MAC and infrastructure costs, as of 2017.

---

<sup>6</sup> A copy of the State Government's commitment to release a discussion paper can be found [here](#).



While this research is supported, more up-to-date data would better reflect 'current state' concerns.

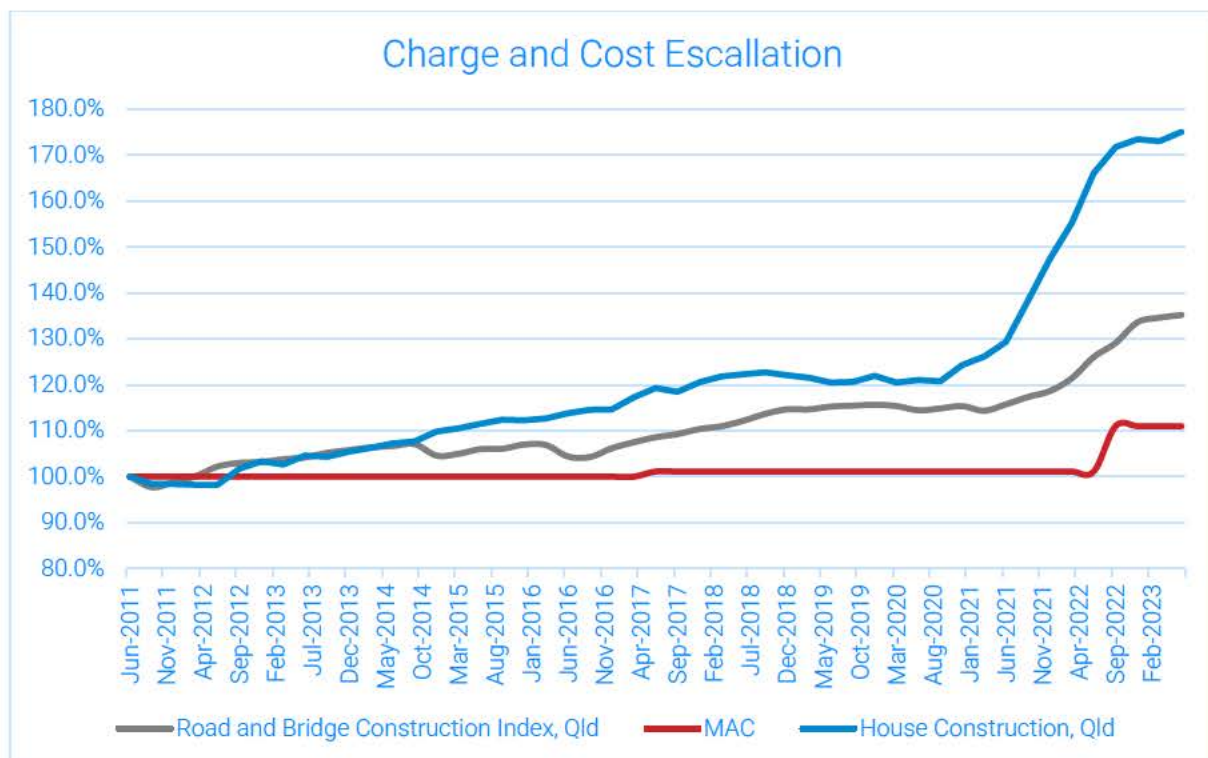
Since 2017, Queensland (like much of the world) has experienced significant increases in the cost of materials, labour, and construction. The impact of this on infrastructure construction costs can be seen in the Australian Bureau of Statistics' Road and Bridge Construction Index for Queensland.

The Index shows a significant increase in the cost of building infrastructure since early 2021. This increase far exceeds indexation of the MAC - resulting in a greater funding gap than that which existed in 2017.

An inflection point occurred in 2020, relating to pandemic-related disruptions – whereby government spending (fiscal policy) outstripped supply (constrained by COVID) – resulting in booming prices. Meanwhile, the MAC remained unchanged.

To illustrate this, **Figure 1** (below) overlays increases to the Road and Bridge Construction Queensland Index, increases to the MAC, and increases in home construction costs.

**Figure 1: Comparison of MAC to Construction Cost Indices**



Preliminary outcomes from recent research highlights the need for a more robust basis for policy development. The LGAQ believes a more fulsome approach could be utilised – focussing on better integration of local governments' growth strategies, service strategies and financial strategies - rather than a singular focus on the impact of the MAC on cost recovery alone.

Relevantly, in mid-2023, the LGAQ commissioned research to provide up-to-date information on cost recovery. This research will establish a contemporary baseline of current and

projected funding gaps for trunk infrastructure and identify options for a more equitable trunk infrastructure funding framework.

As this research is being undertaken in consultation with local governments, when completed, it will present an agreed position on current challenges, and a unified vision for a way forward. We look forward to sharing this research, when finalised, with the State Government.

More fulsome research could also address the (potentially unjustified) notion that increased infrastructure costs will be 'passed-on' to consumers in the form of higher home prices.

If this theory were true in the case of Queensland, home prices would have spiked shortly after increases to the MAC in mid-2017 and in mid-2022. However, this has not been the case. Rather, home prices plateaued after the increase to the MAC in mid-2017, and spiked in mid-2021 (12 months before the MAC was increased in mid-2022). This would suggest that, counter to theory, there is no direct evidence to prove that increased infrastructure costs are passed-on to consumers in the form of higher house prices.

The reason for this may be because home prices are determined by *market appetite*, rather than *input costs*.

It is widely understood that, when selling property, a seller will set their price according to *what the market is willing to pay* (rather than charging a price purely based on *input costs*). I.e. if the market is willing to pay \$1m for a home, a seller will charge \$1m for that home – regardless of whether it cost them \$500k or \$510k to build.

More fulsome research could address the relationship between infrastructure charges and home prices (or rather, the absence of a relationship).

This research would also provide the Government with assurance that any increase to the MAC will not simply be 'passed-on' to consumers, in the form of higher home prices.

- **Recommendation 8:** The LGAQ recommends more recent and fulsome research be relied upon for policy development, developed with input from and in consultation with local governments.

## 5.0 Conclusion

Overall, the LGAQ supports the intent of the *Planning and other Legislation (Make Developers Pay) Amendment Bill 2023*. However, several concerns regarding data inputs, the scope of solutions proposed, and consultation with local governments should be addressed before any infrastructure funding modernisation is progressed.

The LGAQ would welcome the opportunity to work alongside the government to address these concerns, and share our most recent 2023 research on infrastructure charges to help inform that work.

Please do not hesitate to contact Matthew Leman, Lead – Planning and Development Policy via email at [REDACTED] or phone on [REDACTED] should you wish to discuss any aspect of this submission.