Melbourne’s Growth Area Infrastructure Contribution and the Funding of Public Transport in Outer Suburbs

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Abstract: Melbourne, Victoria, has experienced strong population growth over the last 15 years, with growth forecasted to continue. A large part of this growth has been channelled into Greenfield areas on the city’s fringe. Precinct Structure Plans together with Development Contribution Plans have been developed over the last decade as instruments seeking to integrate and organise planning processes for these new suburbs. Additionally, in 2010 the Growth Area Infrastructure Contribution (GAIC) fund was introduced to partially offset (up to 15%) the cost of new ‘essential state-funded’ infrastructure in Growth Areas. The per-hectare GAIC applies to land brought into Melbourne’s urban growth boundary and zoned for urban development since 2005, and is triggered by land sale or subdivision. Along with other development contributions including voluntary agreements and conditions on planning permits, GAIC is intended to capture increases in land values, and to be used to provide infrastructure and services commensurate with growth. This paper examines the GAIC fund and within this, its use for public transport – towards which 50% of GAIC funds are to be directed. The paper critically analyses the ways in which GAIC has been used for transport infrastructure in new suburbs, it draws on 30 interviews with staff from state and local government, and developers; document analysis; and on comparative literature on the use of betterment taxes and infrastructure contributions.

Key words: Infrastructure contributions; suburbs; growth areas; public transport.

Introduction
Melbourne, Victoria, has experienced strong population growth over the last 15 years, with a large part of this growth channelled into Greenfield areas on the city’s fringe (Brain et al., 2019). Precinct Structure Plans together with Development/Infrastructure Contribution Plans have been developed over the last decade as instruments seeking to integrate and organise planning processes for these new suburbs. The stated goals of Victoria’s greenfield planning process include integrating planning at an early stage so that new communities receive the services and infrastructure they need sooner (GAA, 2009).

Additionally, in 2010 the Growth Area Infrastructure Contribution (GAIC) fund was introduced to partially offset (up to 15%) the cost of new ‘essential state-funded’ infrastructure in Growth Areas. The per-hectare GAIC applies to land brought into Melbourne’s urban growth boundary and zoned for urban development since 2005, and is triggered by land sale or subdivision. Along with other development contributions including voluntary agreements and conditions on planning permits, GAIC is intended to capture increases in land values, and to be used to provide infrastructure and services commensurate with growth. This paper examines the GAIC fund and within this, its use for public transport – towards which 50% of GAIC funds are to be directed. The paper critically analyses the ways in which GAIC has been used for transport, drawing on interviews with stakeholders and with reference to principles of development contribution schemes.

Methods
This paper is based on a literature review of development contributions and funding mechanisms for infrastructure; and a review of policy documents concerning the system of Victoria’s development contributions. It also draws on the analysis of 30 interviews with staff from state government departments and agencies, local government, developers and consultants. These interviews explored views on the planning process in Melbourne’s growth areas in relation to transport delivery, including the discussion of
different forms of contributions involved in the development of new suburbs. Interview transcripts were coded using NVivo software. This paper focuses on content relating to the assessment of different forms of development contributions and their impacts, as well as the funding and delivery of public transport. The research this paper reports on has been developed in the context of the RMIT research project 'Early delivery of equitable and healthy transport options in new suburbs: Critical reform and tools'.

**Suburban growth planning in Melbourne**

Metropolitan strategic plans for Melbourne have, since at least the early 1970s, sought to direct new housing growth into ‘corridors’ around existing transport (MMBW, 1971). Aspects of Melbourne’s strategic planning framework have also sought to contain outward growth by directing new growth to established urban areas, reflecting the urban consolidation objectives common to Australian cities since the 1980s (Forster, 2006). However, in practice a significant or often larger share of Melbourne’s new housing growth continues to occur in greenfield suburbs (Brain et al., 2019). The current metropolitan strategy, Plan Melbourne 2017-2050, sets strategic directions for transport in greenfield areas, including a goal to ‘Improve transport in Melbourne’s outer suburbs’ (Direction 3.2).

The relevant framework for planning greenfield suburbs in Victoria is the Precinct Structure Planning (PSP) process, introduced over the last decade by the Growth Areas Authority (GAA) – now the Victorian Planning Authority (VPA). The idea behind introducing the PSP process was that a more integrated planning process was needed for greenfield areas. Goals include to integrate planning at an early stage so that new communities receive the services and infrastructure they need sooner; to achieve a more efficient coordination of stakeholders; and to create greater certainty about future development for local communities, developers and other investors (GAA, 2009). Inadequate and delayed transport delivery to greenfield suburbs is recognised as a planning problem, and strategic policies such as Plan Melbourne promise to improve transport choice in outer urban areas. However, while a goal of the integration of land use and transport is implied, there are few concrete mechanisms.

PSPs specify housing lot yields; the location of employment land; transport networks; allowances for open space and natural systems; activity centres; and community facilities. Sitting within broader Growth Areas Corridor Plans, they create a structure for urban development and a framework for statutory planning controls. Once completed, a PSP will be incorporated into the local planning scheme to guide use and development of land in the precinct over the longer term.

Certain utilities and infrastructure, such as water, utilities and local roads are required to be completed by developers ahead of people moving in (Kellett and Nunnington, 2019). Development or Infrastructure Contribution Plans (DCPs/ICPs) also accompany PSPs and specify contributions “towards the costs of local infrastructure and identify which portion is to be funded by the developer (and in turn the home buyer) or council (and in turn the ratepayer) based on nexus, need and equity” (Dunn, 2010, p. 5). For so-called ‘state level’ infrastructure in Melbourne’s growth suburbs, the Growth Areas Infrastructure Contribution (GAIC) is collected.

In addition to this, many infrastructure items including transport are funded through Council capital works budgets, the Victorian Government budget and on occasion the Federal Government Budget. Federal funding for transport has been more common in recent decades – a key example in Melbourne is the Regional Rail Link, resulting in new and planned railway stations in PSP areas in Wyndham in Melbourne’s western growth suburbs. Funding decisions for such major infrastructure projects are, however, neither predictably nor directly integrated within planning processes for Melbourne’s new suburbs.

**Public transport in new Melbourne suburbs**

For multiple historical and economic reasons, Melbourne’s transport infrastructure and services are unequally distributed. Public transport, in terms of both extent and frequency of service, is concentrated in inner and to some extent middle suburbs. One reason is that a strong phase of suburban development in Melbourne occurred during the late 19th century, with significant funding for new rail lines building an extensive rail network during that time - typically to the benefit of land speculators in new suburban areas. Subsequently, financial conservatism saw comparatively few rail extensions to match development
throughout the 20th century (Carroll, 1976; Wettenhall, 1961). The next phase of extensive suburban
growth occurred after the Second World War, in a period of comparative wealth and of growing auto-
mobility. This meant that new suburban development areas were, and are, not as well served by public
transport and that for many suburban residents automobile ownership is essential for day to day mobility.

For Melbourne’s new growth suburbs of the 21st century, significant resources do now go into planning
transport and related infrastructure – in the form of the PSP process, and with strategic policies stating it
“is important to plan for the infrastructure needs of new communities, such as public transport, roads and
community facilities” (GAA, 2009, p. 2). However, PSPs are implemented mainly in terms of land uses,
and of local level capital works. Local and ‘essential’ infrastructure within the PSP delivery process itself is
largely confined to roads and passive recreation. Active transport facilities, counted as local infrastructure,
are often included in infrastructure provided by developers and are commonly above the standards of
existing urban areas of Melbourne. Public transport, however, is mostly defined as ‘state level’
infrastructure and as a result does not form part of the infrastructure contribution plans integrated into
PSPs. The funding and delivery of public transport services is quite separate to the precinct structure
planning and implementation process. State level, centrally funded public transport services are usually
delivered much later than residential development and its “essential” infrastructures (Kellett and
Nunnington, 2019). Rail lines are sometimes extended to new suburban growth fronts, but generally
some decades after the area’s initial development. Additionally, when bus services arrive in Melbourne’s
new suburbs, they are typically “infrequent, indirect services that appeal only to a captive transit ridership”
(Delbosc et al., 2016, p. 62).

**Forms of infrastructure contributions in Melbourne’s growth suburbs**

The Victorian Planning and Environment Act 1987 (‘The Act’) allows for development contributions via
three mechanisms: development contributions plans, voluntary agreements, and conditions on planning
permits. Furthermore, a 2010 and a subsequent 2011 amendment to the Act introduced the Growth Area
Infrastructure Contributions (GAIC) fund. In 2016 a new Infrastructure Contribution Plan (ICP) system was
adopted.

Different mechanisms for charging development contributions can be broadly characterised as user pays
contributions, value capture exaction, impact mitigation levies, and inclusionary requirements (Fensham,
2017). User pays contributions are calculated according to the anticipated share of future usage of
planned infrastructure in a development area and are a one-off monetary or in-kind contribution. For value
capture, part of the value uplift caused through rezoning or other actions is obtained. This can be
achieved through voluntary planning agreements, special infrastructure charges, betterment taxes or
other instruments. For impact mitigation levies, proponents pay the cost of compensating for offsite
impacts, e.g. on infrastructure or environment (e.g. for an additional retarding facility for a development
that generates significant water run-off), and for inclusionary requirements proponents are mandated or
incentivised to meet certain development standards on site (or pay in lieu for off-site works). In practice
the different mechanisms are often blurred, especially user pays and value capture funding (Fensham,
2017; IV, 2017; SGS, 2007).

The main mechanisms for funding infrastructure in new suburbs in Victoria - apart from general local,
state and federal budgets - are Development Contribution Plans (DCPs), Infrastructure Contribution Plans
(ICPs) and the Growth Areas Infrastructure Contribution (GAIC). All are user-pays contributions, however
the GAIC is a mix of user-pays and betterment charge (Taylor, 2016). Our focus in this paper is the GAIC
fund and its use to fund public transport.

The idea of introducing a specific charge for state-level infrastructure in growth areas was first mentioned
in the 2005 *A Plan for Melbourne’s Growth Areas* and specified further in *Melbourne @ 5 Million* in 2008.
The intent was to raise revenue to pay for parts of state infrastructure costs in the growth areas, but also
to reap some part of the expected increases in land value resulting from planned changes to the Urban
Growth Boundary (UGB). In that sense, the GAIC was conceptualised as a form of hypothecated
betterment tax (Taylor, 2016). However, modifications were introduced such that the formal liability was
transferred from land owners to land purchasers. The modified GAIC was understood as a user pays model.

The GAIC is designed to contribute up to 15% of the cost of providing state-level infrastructure and services in the growth areas (DTPLI, 2014). The contribution applies to land in the growth areas brought into the UGB in 2005 or later and zoned for urban development. It is paid as a one-time payment at a per-hectare rate. Current rates are $97,360/ha for type A land (brought in between 2005 & 2006) and $115,640/ha for type B land (brought in after December 2008). Contributions are collected by the State Revenue Office (SRO) and distributed equally between the Growth Areas Public Transport Fund (GAPTF) and the Building New Communities Fund (BNCF). The GAPTF is for capital works for state-funded public transport infrastructure, associated land and other infrastructure acquisition or for a maximum five years of recurrent operating costs (e.g. for buses). GAIC is administered by the Minister for Planning and the Treasurer. Part or all of the GAIC liability can be offset by providing land and/or infrastructure works to the state – by agreement with the government. This process is called work-in-kind or WIK. Characteristics of funding schemes in Victoria’s growth areas are summarised at Table 1.

### Table 1. Characteristics of funding schemes in Victoria’s growth areas

<table>
<thead>
<tr>
<th>Development Contribution Plans (DCPs)</th>
<th>Infrastructure Contribution Plans (ICPs)</th>
<th>Growth Areas Infrastructure Contribution (GAIC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>User pays charge for ‘essential’, local-level infrastructure</td>
<td>User pays charge for ‘essential’, local infrastructure</td>
<td>Mix of user pays charge and betterment charge contributing to state-funded infrastructure in growth areas</td>
</tr>
<tr>
<td>Used until 2016/2017; followed by ICPs</td>
<td>Introduced in 2016; amended in 2018</td>
<td>Introduced 2010; amended 2011</td>
</tr>
<tr>
<td>Existing DCPs remain valid</td>
<td>Incorporated into the planning scheme alongside the respective Precinct Structure Plan</td>
<td>Per-hectare rate charged to the purchaser</td>
</tr>
<tr>
<td>Incorporated into the planning scheme alongside the respective Precinct Structure Plan</td>
<td>Currently only used in metropolitan greenfield growth areas</td>
<td>Work-in-kind agreements possible</td>
</tr>
<tr>
<td>Costs need to be specified for each infrastructure item in the DCP</td>
<td>Standard levies (without need for cost specification) and supplementary levies (with cost specification)</td>
<td>Applies to land zoned for urban development and brought into the Urban Growth Boundary since 2005</td>
</tr>
<tr>
<td>Land is contributed as a monetary levy</td>
<td>From 2018 onwards land is contributed as a land levy</td>
<td>Funds are spent on infrastructure projects in line with legislated objectives and areas, with approval by the Planning Minister and Treasurer</td>
</tr>
<tr>
<td>Work-in-kind agreements are possible</td>
<td>Work-in-kind agreements are possible</td>
<td>To date: for public transport most often used for railway station upgrades including car parking</td>
</tr>
<tr>
<td>Typically roads, passive recreation</td>
<td>Allowable items and caps for expenditure in legislation</td>
<td></td>
</tr>
</tbody>
</table>

Source: Kroen and De Gruyter (2019)
Characterising GAIC: Principles of User Pays Contribution Schemes

There are a number of good practice principles for user pays systems (Kroen and De Gruyter, 2019; Robinson and De Gruyter, 2018; Kirwan, 1990; Spiller, 2012, Stein, 2017, PIA, 2017, Abelson, 2017). While some of these principles do not entirely fit for the GAIC charge, due to it being a mixture of a user pays and betterment charge, we seek to highlight to what extent the GAIC responds to these principles and what the implications are.

**Nexus – demonstrating a nexus between the development being levied and the need for the infrastructure being funded**

The idea of GAIC is that, overall, the same amount is spent as is collected in a given growth corridor. However, there is no legal requirement for this. In that sense a “broad” or “flexible” nexus exists. The advantage of this “flexible” nexus is that funds can be spent when an opportunity to fund relevant state infrastructure arises. One example is the partial funding of a station along the Mernda rail extension, in an area where at that point in time few GAIC charges had been collected, but where it was clear that they would be collected at a later point. With a strict nexus, this would not have been possible.

The drawback of the “flexible” nexus is, however, that the payees – who are likely the residents, at least insofar as in interviews most developers stated that in the end the GAIC amount is added to the price for the homebuyer – do not necessarily benefit directly from the funded infrastructure. This is also why some interview participants were critical of this missing nexus. Compared to GAIC, local infrastructure contribution plans have a much stronger nexus. Developers can, however, achieve a stronger nexus by delivering work-in-kind in the respective development area.

Another nexus question is whether, in terms of state funding decisions, GAIC should be used for infrastructure that would be built anyway, or whether it is actually a special fund that helps to fund some infrastructure earlier than it normally would have been. In interviews there were different views on this, and there is no clear statement in legislation or accompanying documents. Within government, some interview participants preferred to use the GAIC funds for general budget items, while others participants felt it was important to have a specific fund for growth areas. A clear public position on these points would, arguably, improve understanding and implementation of GAIC.

**Transparency – methods to calculate levies should not be prohibitively complex**

As GAIC levies are standard rates it is transparent what has to be paid, although the rates themselves were based on unpublished research - meaning their calculation has not been very transparent (Taylor, 2016). Nevertheless, the amount of the GAIC charge has – to our knowledge – not been strongly disputed. Rather it is manner of the reporting of GAIC income that obscures transparency, in the sense that a large portion of triggered GAIC charges have been deferred to future years and therefore cannot be spent. Hence, some interview participants from outside government had the impression that GAIC money is not spent, but is already reported as income. Another reason for this impression is that in early years GAIC funds were actually not spent (see below). Changes to reporting practices would improve transparency and accountability in how funds are collected and spent, including on public transport.

**Certainty – regarding levies, funded infrastructure and contribution offsets**

With GAIC, developers have certainty in the sense that levies are payable as a standard rate per hectare and are indexed annually. This was mentioned positively in interviews, as it makes planning easier for developers. They also can offset contributions through work-in-kind. On the negative side, there is no certainty as to what infrastructure will be funded through GAIC contributions - as discussed above under nexus.

**Public Accountability and Alignment – public involvement and context of the wider planning framework**

In a comparable sense to central budget decisions, which are political decisions without public involvement, there is no public involvement in decisions about spending of GAIC funds. An interdepartmental panel decides on which GAIC applications (as submitted by departments and agencies)
are to be suggested to the Minister for Planning, who will then make the final decision about the projects to be funded. No public information on this process is made available. Some interviewees suggested the need for a stronger alignment with the wider planning framework and, accordingly, a more strategic approach towards GAIC. They considered political “ad-hoc” announcements for projects to be problematic. A specific example were car parks at certain growth area train stations – which were, reportedly, neither suggested nor applied for by Transport for Victoria as GAIC projects, but rather were announced by the Minister and then added to the GAIC project list. Public accountability around alignment with public strategies could be improved by publishing assessed funding applications and the grounds for decisions, allowing comments and a stronger alignment with the wider planning framework (see below).

**Timeliness – provide required infrastructure as needed, within a reasonable timeframe**

The current goal is to spend collected GAIC funds early and ideally annually on projects in the annual call for projects. In interviews, there were both arguments for using funds for smaller projects that “actually make a difference” even though they are “not really that sexy politically”, or for “big items” that are difficult to fund through general funds and for which money would need to be “saved” over several years. In this context it was mentioned that a strategic infrastructure plan could help to decide what projects to spend money on. Timeliness can be improved by clarifying what timeframes are envisaged, including the integration of transport with growth.

**Essentiality – contributions only for infrastructure that is deemed essential**

The *P&E Act* defines what GAIC funds can be spent on. While essentiality is not specifically mentioned in the Act, other documents state that GAIC funds are for vital or essential state funded infrastructure, albeit without defining either term. Infrastructure listed in the *P&E Act* could be considered essential in the sense that it is required to establish an acceptable level of service for public transport and community infrastructure.

**The operation of GAIC in relation to Public Transport**

**GAIC Spending on Public Transport**

After media criticism in 2016-17 that GAIC funds were being collected but not spent (Lucas, 2017; UDIA, 2017; Interface Councils, 2016), the funding of projects through GAIC increased, and as of 30 June 2018, around 95% of cash receipts (or about $375 million) had been committed or spent on infrastructure projects in growth areas (LGV, 2019b; DELWP, 2018). GAIC projects are selected from applications submitted by state government departments and agencies. Developers, local governments and other stakeholders can suggest projects or priorities to the relevant departments and state agencies or to Local Government Victoria and the VPA, but cannot apply for them themselves. It was mentioned in some interviews that suggestions for projects were essentially “ad hoc” in early years, but that now the process is better established and the relevant parties are better prepared to put in suggestions. Nonetheless, the process including grounds for funding decisions are not public nor clearly tied to strategy, meaning its efficacy is difficult to assess.

Public transport projects funded under the GAPTF fund in 2017-18 include the Pakenham bus interchange, upgraded railway stations (Cranbourne, Merinda Park, Craigieburn, Toolern, Donnybrook), metro bus service improvements in Wyndham and Casey, and station car parking. The main categories of transport projects funded by GAIC since 2015 have comprised upgrades to existing railway stations, including bus interchanges and often the provision of commuter car parking; the purchase of land and (less so) funding works for new railway station projects (notably for Cobblebank, a new station on an existing regional rail line); road intersections; and recently some examples of bus services. There has been reluctance to fund bus services with GAIC, partly because funding is limited to the first five years and there being uncertainty around securing longer-term central funding for buses. However, in 2018 GAIC funding for initial bus services in two areas (Casey and Wyndham) was announced. Figure 1 shows the type and location of GAIC transport projects 2015-2018. Funded projects are also listed online (at https://www.localgovernment.vic.gov.au/funding-programs/growth-areas-infrastructure-contribution-fund/growth-areas-infrastructure-contribution-projects).
An inter-departmental panel assesses applications and recommends projects to the Minister for Planning who consigns the projects (all public transport projects and community infrastructure projects worth over $2 million) to the Treasurer for consideration and approval (LGV, 2019a). Furthermore, the State government uses the budget to allocate GAIC directly to suitable projects. This process runs outside of suggestions for projects from state agencies.

**Figure 1. GAIC transport projects 2015-2018**

![GAIC transport projects 2015-2018](image)

Source: Authors

**Spatial equity, available funds and commitment**

As GAIC funds are tied specifically to the growth areas, their availability has unsettled dynamics around public transport funding in Melbourne. Interview participants indicated that this has seen some recent projects – including new railway stations as well as bus services – that would otherwise have not survived competition with other areas and projects in a central budget process. The reasons given for this include that, usually, business cases for public transport projects are based on greatest existing demand. This means that in new growth areas typically a business case would not be supported by numbers in one year, although demand may be very strong the next year already because in the meantime so many new residents arrived. Interview participants viewed as positive the fact that GAIC provides some funding specifically for growth areas. Nevertheless, it was also acknowledged that in other areas of the state significant backlogs in public transport infrastructure exist, which also need to be responded to:

“There is this tension always about providing transport infrastructure for new growing communities as compared to providing transport infrastructure for communities that have developed in the past and have missed out.”

(Interview – State Government – ID 55184)

In that context, interview participants also pointed to an overall problem of scarcity of funding for public transport in Victoria and the dilemma of deciding which projects more deserve the limited amount of funding available. They also pointed out that new infrastructure projects are sometimes better received than services with recurrent costs, as the former are more visible, and costs are finite. The announcement...
of the proposed Suburban Rail Loop, which emerged outside of the usual transport agencies and processes, seems to belie a view that an overall shortage or scarcity of funding overall is the key problem. However, it provides some support for the perception that there is a specific shortfall of funding for certain transport projects (those that are smaller and that have recurrent costs), as a result of structural political decisions at a political level:

“They're hung up on the annual funding cycle and it's especially hard to get money out of treasury for a recurrent cost like a bus. If you want to build a station, well, if you want to build capital works, that's sort of a one-off cost to them but if you want to run a bus service, that's in perpetuity that you're going to have to fund that bus service.” (Interview – State Government – ID 55183)

A reluctance to fund recurrent costs, or at least a perception amongst relevant state agencies that there is such a reluctance, was also the reason given in interviews to explain why the new bus services that can be funded through GAIC have only actually emerged – and in small numbers - recently. Interview participants stated that the 5-year bus funding available through GAIC would mean a commitment to run that bus in the future - without knowing whether there would be (scarce) central budget funds made available in the longer term. Politically, it is viewed as worse to stop an existing bus service than to put in no service at all. The interviews indicate a strong risk adversity from state agencies and politicians – with, for example, a possible strategic plan likely to be kept internal because:

“They'll be completely internal for government otherwise departments would not engage with them if they were public... particularly when you're identifying infrastructure that you need 15 years out, departments hate doing that as well”. (Interview – State Government – ID 55178)

**The Role of Ministers (Politicians)**

As mentioned, the Victorian State government uses its budget process to allocate GAIC directly to suitable projects. It can also happen that Ministers add their “own projects” to GAIC funding. An example mentioned in interviews was the allocation of GAIC funding towards car parking at Sunbury train station – where land availability was uncertain, and the department would have been unlikely to have recommended the project. The allocation followed a political announcement for commuter parking increases, and in a sense GAIC funding was ‘found’ as a way to pay for this political promise. Such a process is sound from a representative government perspective, but sheds critical light on the high onus of proof required for other transport projects vying for notionally scarce GAIC and other state funding.

Furthermore, an aversion of politicians and state government toward being held accountable to expectations – and thus to committing clearly to certain projects or at least to timeframes for those projects – was indicated in multiple interviews. This may be one reason why there has not been a transport plan in Victoria with allocated timeframes since 2012.

Interview participants also mentioned that funding decisions by ministers are sometimes based on politics, meaning marginal electorates. An example given was that while in the long term there are two additional stations planned for the regional rail line running through Wyndham, the development of those stations seems unlikely to proceed soon. This project is said to be politically constrained by considerations of the impacts on the marginal electorate status of Geelong, given that adding two stations in Wyndham (a safe electoral area) would increase travel time for passengers from Geelong (a marginal electoral area).

**Concerns about (lack of) strategy**

A criticism that ran through the interviews was that there is no strategic spending of GAIC funds, with spending instead being rather ad-hoc on “random” projects that fit within the requirements of GAIC funding. This was expressed by developers as well as staff of state agencies:

“The government doesn't really have a plan for how it would use the GAIC that's public and transparent.” (Interview – Developer – ID 57579)
“Our view is that because GAIC isn't supported by a strategic look at the future infrastructure needs of our growth areas. So the GAIC sits there, the money is collected, but there's no strategy for its expenditure.”

(Interview – Local Government – ID 55177)

The necessity and advantage of a strategy for infrastructure investment has also been identified within Victorian state government, with agencies purportedly working to identify how a pipeline of strategic projects eligible for funding could be developed. Some arms of state government cited a lack of coordinated planning for public transport in growth areas specifically, and argued that this lack of strategy was what meant funding from GAIC was not being allocated to public transport:

“There seems to be a lack of coordinated or integrated transport planning in the growth areas. (...) So, there's a huge bucket of money there in GAIC (...) half of that is allocated to public transport but we haven't seen really strategic use of that funds to date”.

(Interview – State Government – ID 55176)

Discussion
The Growth Areas Infrastructure Contribution (GAIC) was introduced in 2010 to partially offset (up to 15% of) the cost of new ‘essential state-funded’ infrastructure, including public transport, in Melbourne’s growth suburbs. What exactly constitutes ‘essential’ and ‘state-funded’ is not precisely defined but is in contrast to the scope of local infrastructure funded through Development/Infrastructure Contribution Plan mechanisms in Victoria. The latter are more directly integrated with the main framework for planning greenfield suburbs in Victoria, Precinct Structure Plans, and cover mainly roads and passive recreation. Charged as a per hectare rate on sale or development of rezoned land, the GAIC was intended as a betterment fee capturing part of the windfall value of land rezoned for development, but has been modified to take on more of the characteristics of a user pays development contribution. As it is currently implemented, GAIC is paid by developers and transferred forward, at least partly, in the price paid by home purchasers.

Drawing on good practice principles of user pays contributions, this paper argued that the GAIC responds to some of those principles. However, analysis against these policy principles also showed areas for improvement. We would argue that due to its characteristics of being a mix of user pays and betterment charge, the “flexible” nexus of GAIC can be accepted – meaning that there is a long-term nexus over the different growth corridors, but not strict nexus tying levies and infrastructure to a certain development site. However, this envisaged “broad” nexus of GAIC should be made more binding by inclusion in legislation or at least in policy documents, and by clearer reporting on the achieved nexus in where funds are collected and spent.

The position of GAIC with regards the nexus between where funds are levied and spent could also be improved by clarifying whether GAIC is intended to be used for infrastructure that would be built regardless, or whether it is intended as a special fund supporting the implementation of early infrastructure in growth suburbs. One of the arguments for introducing PSPs was to enable the earlier delivery of infrastructure. It should be clarified whether GAIC is intended to help with this.

To improve transparency, the reporting of GAIC income needs to be changed to show more clearly which GAIC amount is triggered and which amount is actually available given the deferral of payments. More public accountability and more scrutiny of GAIC spending proposals would also be desirable. This could be improved by publishing considered funding applications and allowing comments and discussion. As it stands, while new public transport projects are increasingly funded through GAIC in new suburban areas, the process of assessing projects is not public, and there is no clear timeline or strategy around the pipeline for delivery of infrastructure including public transport in these areas. A stronger relation to the wider planning framework would help decrease the perception of ad hoc and arbitrary decisions occurring around GAIC projects. The best-practice principle of timeliness can be improved by clarifying what timeframes are envisaged, e.g. through a strategic plan.

The introduction of GAIC has created stronger connections between suburban growth areas and public transport infrastructure in Victoria. Several projects – including train stations and, more recently, bus
services – have been delivered in growth suburbs through GAIC funding. Interview participants indicated that many of these would not otherwise have been funded at this stage through other mechanisms for funding transport. This stemmed from the fact that in standard budget-bid processes for public transport, business cases are based on greatest existing demand, i.e. the most people, which is a difficult criterion for newer growth areas where demand is developing, but could jump relatively quickly from one level to another. It is positive that GAIC allows to provide some funding specifically for suburban growth areas, thus circumventing such issues. However, it could be beneficial to think about different processes to achieve better public transport infrastructure provision. It might be necessary to define different objectives for business cases in growth areas (e.g. as applied in London’s growth area transport funding) that take into account the opportunity costs of delayed provision, such as developing habits of car dependency and related health and wellbeing issues.

While interview participants typically welcomed the new availability of specific funding for public transport in Melbourne’s growth areas, many also raised concerns about lack of strategy for GAIC spending – part of a broader lack of state level commitment to pipelines of infrastructure and services. Interview participants mentioned a desire for a strategic plan, or at least some commitment from the State towards infrastructure investment including public transport for suburban growth areas. A strategic plan or commitment would enable a better coordination of state-funded and local infrastructure, and allow a certain extent of sequencing of growth. This could also contribute to better coordination of broader, regional-level infrastructure. A strategic plan would need a more formalised link of GAIC funding to existing PSPs and Growth Corridor Plans and also more coordination between different state departments. While interview participants indicated that coordination has improved and that the VPA and LGV are already supporting a more coordinated approach, there is still an apparent need for more integrated thinking in suburban growth areas planning. A strategic pipeline of projects would, in addition, support public accountability as it would help to ensure funds are not spent ad hoc or arbitrarily. This would not forbid ministerial or political announcements about GAIC spending, but it would make them more strategic and infrastructure spending less politicised.

Finally, it seems that despite the GAIC having been introduced nearly a decade ago, that the use of GAIC funding in Victoria’s growth suburbs is still in an evolving and uncertain stage. Some explanation for this may be attributed to different understandings of what GAIC is supposed to do, and to its blurred character as both a betterment and user pays charge. Different understandings of the nature and purpose of GAIC were illustrated clearly in interviews. A government clarification of whether the GAIC program is intended to support the early delivery of infrastructure; whether or not it should fund general budget items; and whether it should fund small-scale or large-scale (public transport) projects would improve the funding processes and implementation of public transport in Melbourne’s new growth suburbs. Likewise, more transparent and clearer reporting on the collection and use of GAIC funds would address some of the issues highlighted in stakeholder interviews, and be an improvement in terms of best-practice principles of development contribution schemes.

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