

15 August 2014

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Hon. Tim Nicholls MP
Treasurer and Minister for Trade
GPO Box 611,
Brisbane QLD 4001

Dear Treasurer, *Tim*

The Strong Choices Investment Program

Thank you for the opportunity to provide comment on the Queensland Government's *Strong Choices Investment Program* (the Program).

The Property Council strongly supports the Queensland Government in seeking a mandate to sell or lease Government assets in order to invest in the economic infrastructure that will underpin the future growth and prosperity of the state.

To ensure a balance between infrastructure provision and fiscal surplus, we support the dedication of 25 per cent of the proceeds of the sale, lease or other divestment of assets towards the Program.

For the property industry, the key line item in the Program is the *Local Government Co-Investment Fund* (the Fund), and ensuring it is positioned to support catalytic infrastructure development while delivering maximum economic value.

The Local Government Co-Investment Fund

The Property Council strongly supports the concept of the Fund as it is outlined in the Queensland Government's *'The Strongest and Smartest Choice'* - a fully contestable fund, for co-investment between the State and local governments for the development of catalyst infrastructure.

The Property Council sees two primary functions for the Fund:

- To incentivise local governments to adopt the recently instated 'fair value' infrastructure charges framework.
- To provide a rolling 'bucket' of funding to enable local governments to build the infrastructure that will support future economic growth.

The Fund as an incentive

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The Property Council is concerned that there is little incentive for local governments to adopt the State Government's 'fair value' framework for infrastructure charging.

Local governments require certainty that the co-investment funding available to them under the framework will exceed the total forgone through lowering infrastructure charges.

The size of local government areas, the magnitude of the infrastructure projects, and the number of other councils the funding will be split between, will all significantly impact on this decision.

Certainty currently does not exist, and as a result, no local government has lowered their infrastructure charges to fair value levels since the 'fair value' infrastructure charges framework went live on July 1, 2014.

The Property Council strongly believes that \$500 million allocated for the Fund will not be sufficient to entice larger councils towards the 'fair value' framework.

We would support a significantly larger portion of the Program be dedicated to the Fund to ensure all local governments in the state can recognise value in the 'fair value' framework.

The Fund as rolling infrastructure funding

A significant level of confusion still exists among both industry and local government as to how the Fund will operate.

The status of the Fund as a loan, interest free investment or direct contribution towards trunk infrastructure, will intrinsically alter the appeal of the program to local governments and industry. The status must urgently be clarified by the Queensland Government to provide certainty to all stakeholders.

Additionally, the Property Council does not believe there is yet an adequate framework or parameters for identifying and prioritising the projects which will be financed through the Fund.

'The Strongest and Smartest Choice' describes the Fund as;

'seek[ing] a return for the investment so that the fund can be rolled over multiple times in future years, as an ongoing source of investment.'

For this Fund to provide the level of return on investment needed to facilitate its 'rolling' nature, economic value must be established for each project.

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The Property Council and Council of Mayors (SEQ) have, in partnership with the Queensland Government, examined how a rolling fund for infrastructure could be structured.

The framework is adapted from the United Kingdom's 'City Deals' model: an innovative strategy for building stronger urban and regional growth through a binding partnership between levels of government.

This 'economic growth partnership model' (EGPM) strongly aligns with the core goal of the Queensland Government's *Governing for Growth* strategy and particularly the *Infrastructure for Economic Development* (IfED) blueprint – reforming economic infrastructure planning to ensure projects are financed, funded and prioritised in a way that maximises economic activity.

The Property Council strongly believes this internationally proven framework for infrastructure co-investment can be incorporated into the Fund, and will ensure it operates as intended by the Queensland Government.

A copy of the report examining the EGPM model for Queensland has been included with this letter. Additionally, the Property Council would be happy to discuss the potential use of this model as a critical element of the Fund with Treasury.

Until an asset sale mandate is reached

The Property Council acknowledges that the Program is reliant on the Queensland Government being granted the mandate to divest assets at the next election.

In the interim, a solution for infrastructure funding must be detailed by the Queensland Government to ensure local governments lower their infrastructure charges to 'fair value'.

In a letter to the Property Council on 25 July, the Office of the Deputy Premier assured the Property Council that the *Priority Development Infrastructure (PDI) Co-Investment Program* would provide this interim solution, and that the funding and parameters of the program would be released shortly.

The Property Council is keen to hear further detail on this critical element of the 'fair value' framework and to receive assurances that the PDI Program will continue to facilitate local government co-investment should an asset sale mandate not be reached.

Conclusion

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The Property Council would like to thank you again for the opportunity to provide comment on the *Strong Choices Investment Program*. If you have any questions regarding this submission or require further detail on the EGPM model for Queensland, please do not hesitate to contact me on 07 3225 3000, or kmacdermott@propertyoz.com.au.

Yours sincerely



Kathy Mac Dermott
Executive Director