

Our Ref: 12.10.12.1

8<sup>th</sup> November 2004

Chairman  
Public Accounts Committee  
Legislative Assembly  
Parliament House  
PERTH WA 6000

Dear Sir

### **INQUIRY INTO DEVELOPER CONTRIBUTIONS FOR INFRASTRUCTURE COSTS**

The Urban Development Institute of Australia (UDIA) is the peak industry body representing the urban development industry in Western Australia. It is in this capacity that we write to you in regards to the Inquiry into Developer Contributions for Infrastructure Costs.

UDIA does not support the imposition of increased developer contributions on any developments in Western Australia. In this regard we make the following preliminary comments on the findings and recommendations presented in Report no. 8 – Inquiry into Developer Contributions for Costs Associated with Land Development.

UDIA maintains that developer contributions do impact on lot and house prices in Western Australia and advises that we have commissioned independent research to clearly identify what proportion of developer contributions are typically passed on to purchasers in Western Australia and the impact that this has on affordability.

We acknowledge that lot and house prices are primarily driven by market forces, however we believe that increased developer contribution requirements, including specific requirements for 'leapfrog' development will impact on affordability in Perth. The findings of the research will be forwarded to the Committee, Ministers and opposition members when completed.

UDIA believes that infrastructure levies are an inefficient method of financing public infrastructure and would only serve to increase the cost of land, reduce housing choice and diminish the ability of West Australians to attain affordable housing. The inequities associated with infrastructure levies for social infrastructure are recognised in the Productivity Commission Inquiry Report on First Home Ownership, which found that:

*...there is an increasing tendency to fund social infrastructure through developer contributions.*

*Such infrastructure may sometimes satisfy an identifiable demand related to a particular development (for example a neighbourhood park or recreational facility used predominately by local residents). In these cases, costs should be allocated to that development...*

*In most cases, however, the beneficiaries of the services are likely to be dispersed through the community. Reflecting this, such services were traditionally funded from general revenue sources drawn from the wider community.*

*Notwithstanding the desirability of at least using a systematic approach, the Commission's view is that, for social infrastructure that provides broadly based benefits to the community as a whole, accurate cost allocation will be extremely difficult, if not impossible. Hence, requiring developers to contribute upfront to finance the costs of providing such infrastructure will almost inevitably lead to inefficiencies and inequities.*

UDIA also has concerns that the recommendations of the report have the potential to disadvantage people who live in the outer areas of Perth (who are among the lowest socio-demographic groups in the community) by requiring them to pay more for basic, essential services than people who live in inner and middle areas. We do not believe that this is equitable and we will present our concerns to our members, other industry bodies and the public.

UDIA is seeking the commitment of the State Government that further consultation with industry will be undertaken before the implementation of the inquiry recommendations through any policy or strategy avenue, including through the Network City strategy. In this regard, UDIA would welcome the opportunity to provide further information on this issue on behalf of the urban development industry.

As outlined above, UDIA has commissioned independent research on this issue and will be preparing a detailed response to the report which will be forwarded to you when completed.

Yours sincerely

**MARION FULKER**  
**Executive Director**