NSW Productivity Commission's recommendations

This document answers frequently asked questions regarding the NSW Productivity Commission's recommendations on infrastructure contributions.

The NSW Government is reforming the infrastructure contributions system. The NSW Productivity Commissioner's 29 recommendations will deliver a certain, transparent, simple, efficient, and consistent system.

During the development of policy positions related to the implementation of the recommendations the department has engaged with key stakeholders. In response to issue raised, we have developed several policy adjustments to ensure the reforms support positive, or at least neutral, financial outcomes for councils.

What adjustments have been made to the Productivity Commissioner's recommendations?

The following adjustments to the Productivity Commissioner's recommendations are being exhibited:

- Extended 3-year transitional arrangements for the application of the essential works list to all section 7.11 contributions plans.

  This is a transitional measure, providing time to understand the effect of the population growth factor on council rate revenue.

- Application of differential section 7.12 levies based on Sydney district and regional boundaries can be found in the EP&A regulation explanatory paper.

  This recognises that construction costs vary across NSW. The differential rates provide a more accurate reflection of the Productivity Commissioner's intent that the section 7.12 levy equal 3% of residential, and 1% of commercial and industrial, construction costs.

- Section 7.12 levies applied to total development, rather than just to net additional development can be found in the EP&A regulation explanatory paper.

  This allows section 7.12 levies to be applied to knock-down / rebuild developments. While these developments do not strictly result in population growth, they do extend the use of the land, which in turn extends demand on infrastructure.

- Section 7.12 levies applied to additions and alterations can be found in the EP&A regulation explanatory paper.

  This allows section 7.12 levies to be applied to additions and alterations, which are typical developments in CBDs and town centres.

- Introduction of a section 7.12 levy for boarding houses, aged care facilities and caravan parks in the EP&A regulation explanatory paper.

  Residential boarding houses, co-living, group homes and other similar developments create demand for infrastructure and should contribute to the cost of providing infrastructure. However, because they are not separately titled, they cannot be levied as a rate per dwelling and require their own specific levy.

- Application of a capped section 7.12 levy for energy developments can be found in the EP&A regulation explanatory paper.

Energy developments, such as solar and wind farms, are commercial developments that cannot be levied at a rate per square metre of gross floor area. As such, a rate per megawatt is considered an appropriate measure for energy developments. Capping the rate reflects the low level of demand for infrastructure arising from these developments.

The department is interested in receiving comments on these adjustments to the Productivity Commissioner's recommendations and whether they enhance the overall reform program.

Why are the adjustments being made?

The above adjustments response to feedback received from stakeholders during the policy development process. They are supported by economic modelling that refines the modelling conducted last year during the Productivity Commissioner's review of the infrastructure contribution system. See the appendix to the Regulation amendment explanatory paper (prepared by Atlas – s7.12 Reform – Review of Charging Methodology).

The adjustments are targeted at incentivising councils to transition from their old and inefficient section 7.11 contributions plans to the new section 7.12 levy system. The adjustments do this by mitigating possible reductions in infrastructure contributions not adequately offset by the population growth increases to council rates.

What are the benefits of the adjustments?

Broadly, the adjustments provide councils with more time and higher levies, decreasing any risks to community infrastructure delivery as they transition to the new infrastructure contributions system.