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## **Public transport infrastructure funding & delivery directions**

- Light Rail's key benefits aren't just about public transport – Light Rail above all other forms of transport has the benefits of catalysing urban renewal, attracts investments, and boosts economic growth. Light Rail brings residents and visitors alike back into city centres and grows the demand for inner city housing.
- In considering delivery model frameworks – there are many options and its important to build the strategy for procurement for light rail on two fundamental things :
  - the unique characteristics of the project, such as the urban and the public transport operations contexts
  - identification of risks and determining if they are better managed between the private or public sector in the delivery model
- There are a range of delivery and operational models currently in existence and consideration across Australia. It is worth considering the appropriateness and benefits of Public Private Partnership (PPP) arrangements

### ***Capital Metro Project in Canberra example***

- urban renewal and densification was a key objective and light rail as a catalysing infrastructure.
- communication is very important to share information and address the very vocal minority who oppose light rail, whereas the silent majority who do support light rail but don't advocate vocally. For example the government chose to publicly disclose the full Business Case
- the recommended delivery model was an availability based PPP, the primary drivers for this was heightened price certainty, optimal risk allocation, and driving innovation to meet customer, urban design and affordability elements.
- a nearly \$1B project that would have been difficult for the ACT government to deliver on its own but it is feasible through a PPP arrangement
- utilities relocation was a major issue, you cannot under-estimate the need to be discussing this early and continue planning and managing risks, including in the procurement arrangements
- land development and asset recycling was important to attracting federal government support

### ***Funding versus Financing – not the same***

- It is important to be clear about what we mean by funding vs financing as they are often confused and used interchangeably in the media. But they are very different and it is important to have a shared understanding:
  - Funding is the income and/or revenue that is used over time to pay for the infrastructure. That payment includes the financing component
  - Financing is the capital raised, usually upfront to pay for the project. Importantly Finance, whether its from the public or the private sector is commercial and it must be repaid.
  - Finance isn't an issue in Australia. There is plenty of money around in the market to invest in the right projects. Its funding that is the problem. Funding is a very different matter and as Light Rail can't generate enough revenue through farebox revenue alone to support financing so we need a strategy to enable the financing to proceed

### ***Funding mechanisms***

- Funding models – impact must be “designed in” to project feasibility and planning. Important to bring together coalitions of levels of government at an early stage



# Lord Mayor's Light Rail Summit

- Turning to funding mechanism options “Value capture” is a means to funding a project. It’s a means of translating the benefits of a project into a form that can support financing. Its not about taking profits from developers, its about acknowledging that without light rail, these development opportunities wouldn’t exist and its only fair that the beneficiaries should share the upside to create a win-win situation where that funding creates the capital investment required for the project.
- Gold Coast City Council is sourcing part of their funding contribution through a flat rate levy, whereas London used a scalable levy based on property value and land use categories. With a flat rate levy model there will be some beneficiaries that receive a benefit that far exceeds their funding contributions.
- It is important to be strategic in light rail projects by designing strategic procurement and funding solutions early on and at the business case of the project.
- 3 key messages to conclude:
  - the delivery model must be considered early and carefully designed to the project unique characteristics
  - funding is the key issue, not financing. You need a funding strategy and package in order to be able to raise the finance capital. The Funding package needs to be commercially aligned between the funds that will be raised to pay for the finance. I encourage you as the three tiers of government to work together to consider and design the funding package as an early step.
  - “value capture” tools are available to create new funding sources that better align the benefits on a win-win basis to align the beneficiaries of the investment and the governments that make the investment.