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The Hon John Alexander OAM MP
Committee Chair
PO Box 6021
Parliament House
CANBERRA ACT 2600

Dear Mr Alexander ^{John}

Thank you for your letter of 29 October 2019 about the House of Representatives Standing Committee on Infrastructure, Transport and Cities' Inquiry into options for financing faster rail.

The ACT Government considers improving the rail link between Canberra and Sydney a key national priority, and a step on the pathway towards high speed rail. The Canberra to Sydney rail corridor presents a unique and significant opportunity to improve connectivity and strengthen the economic, service and social relationship between Canberra, its surrounding regions including the regional cities of Goulburn and Queanbeyan, and Greater Sydney. Better rail services would not only expand and enhance the connectivity between the major cities but would unlock further opportunities for tourism, freight, urban regeneration and affordable housing along the corridor. Canberra and Sydney are centres for diverse sectors including health, education and employment and better transport connectivity between these cities is sorely needed.

Fast Rail will require significant investment to provide the required infrastructure and services and to deliver the complementary measures required to realise the full scope of potential benefits from Fast Rail. Successful Fast Rail projects require a co-ordinated approach to investment and funding, involving both public and private sectors and further work needs to be undertaken to develop an investment strategy to identify the funding requirements for Fast Rail and auxiliary placemaking activities in the Canberra region.

It is the position of the ACT Government that while we remain supportive of High-Speed Rail, long term work to progress a very fast rail service in Australia should not delay incremental improvements to rail connectivity between major centres, especially if improvements to deliver *faster* rail can deliver benefits now, and help to build a more favourable environment for the consideration of High-Speed Rail.

As most of the rail infrastructure upgrades required to improve the Canberra to Sydney rail link are in NSW, most of the key decisions on investment and construction to improve this corridor must be made by the NSW Government. However, the ACT has for a number of years worked with NSW to support consideration of how

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investment can best be made in better connecting Australia's largest cities, including how the ACT can contribute to this.

The ACT and NSW have been jointly considering faster rail since the release of the Faster Rail Prospectus by the Federal Government in 2017. The ACT and NSW made a joint submission to the Federal Government at that time for investment in a business case to decrease rail travel time between Canberra and Sydney. While that application was not shortlisted by the Federal Government, ACT and NSW have continued to work together to examine what can be done to better connect Canberra and Sydney. Recent developments across multiple jurisdictions have highlighted a renewed willingness to explore better rail connections between our cities and our regions.

In August 2018, the ACT Government committed up to \$5 million in matched funding for the development of a detailed business case to prioritise upgrades to the current service. This is in addition to the \$1 million committed to faster rail investigations in the 2018-19 ACT Budget.

In respect to NSW Government funding, in December 2018, the NSW Premier, the Hon Gladys Berejiklian, announced investigations into the delivery of a fast rail network for NSW. The plan identifies the Canberra to Sydney rail corridor as one of four corridors that will initially be investigated. These investigations are being led by UK high speed rail expert Professor McNaughton through the NSW Department of Premier and Cabinet.

During the 2019 NSW state election, the NSW Government made an election commitment of \$295 million for faster rail including \$80 million for improved rail on the Canberra to Sydney rail corridor between Menangle and Yerrinbool, and in the recent 2019-2020 NSW Budget, \$93 million of the \$295 million commitment was identified for fast rail planning and preconstruction activities across NSW during 2019-20 including for track alignment north of Mittagong.

The ACT continues to engage with key stakeholders, including NSW local governments, to support improvements in Canberra to Sydney rail. In March 2019, the Canberra Region Joint Organisation with the ACT Government developed a prospectus for a Canberra Region deal outlining a three-point plan to invest in the Canberra Region. This included a call for investment in faster rail between Canberra and Sydney and corridor preservation for a potential future High-Speed Rail line.

However, funding major capital projects, including land transport infrastructure, is a significant issue for the ACT and a major budgetary challenge. The opportunity to use alternative funding forms to support project funding is worthy of consideration.

The ACT Government is generally supportive of alternative funding options that assist in meeting infrastructure funding requirements. In considering options such as value capture as a funding source, it is important to understand how any mechanism integrates with existing tax regimes including Capital Gains Tax, Land Tax, Stamp Duty, Rates, Lease variation charges, developer contributions, GST and income taxes. Building new infrastructure and the consequent growth in the economy has implications for all of these forms of taxation and it is important to ensure a single benefit is not taxed multiple times.

When considering funding methods, it is vital to consider the externalities of investment. Value capture is predicated on high demand for land within the project corridor, however in Australia many such corridors have low population densities. For instance, a new highway or heavy rail line could be seen as negative to liveability and property values due to noise, the need for noise walls, increased pollution, increased local traffic and demand for parking among others. Moreover, in no part of Australia do public transport fares meet the ongoing operations and maintenance cost of that service, usually returning in the range of 20-30% only and therefore any new heavy rail service will impose an ongoing net cost to annual budgets.

It is also important to consider the broader economic value generated by Faster Rail between Canberra and Sydney, which can accrue to more than users of the infrastructure. For example, High Speed Rail would benefit the broader transport system by relieving pressure on the Hume Highway and leading to improved productivity and road safety outcomes for one of our nation's busiest stretches of highway. Capturing a portion

of this value could also be considered as part of the financing mechanism, such as through distance-based road user charges, or highway access fees.

The planning and delivery of significant national transport infrastructure, such as improvements to the Sydney-Canberra rail line, requires the collaboration and investment of the Australian Government, together with the ACT and NSW to be successful. The Canberra to Sydney rail corridor presents a unique and significant opportunity to improve connections and strengthen this important economic, service and social relationship. Consideration of complementary measures which maximise the benefits of investment in Faster Rail with consideration for alternative funding mechanisms and value sharing arrangements are essential and will require ongoing collaboration with relevant stakeholders to ensure its successful delivery.

Yours sincerely

Andrew Barr MLA
Chief Minister

28 NOV 2019