PAYING FOR GROWTH: A THEORETICAL AND EMPIRICAL EXAMINATION OF THE ECONOMICS OF DEVELOPER CHARGES (WITH PARTICULAR APPLICATION TO NEW SOUTH WALES)

Judith McNeill

BA(Hons), Dip.Ed., M.Ec.(UNE)

Department of Economics

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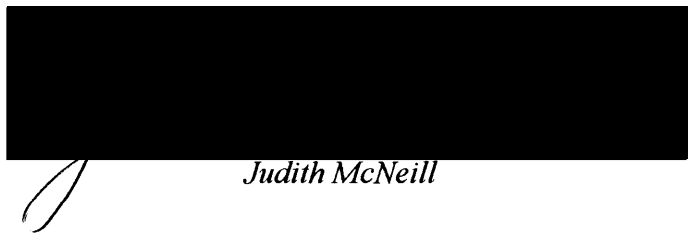
CERTIFICATION

I certify that the content of this thesis has not already been submitted for any degree, and is not currently being submitted for any other degree or qualification.

I certify that any help received in preparing this thesis, and all sources used, have been acknowledged in this thesis.



Judith McNeill

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ABSTRACT

In New South Wales, charges on developers have become increasingly popular as a means of financing local urban infrastructure. Other eastern states of Australia are poised to embrace this form of funding. Currently, a number of basic principles guide policy in pursuit of a widely accepted, but vaguely specified, understanding that the charges are a 'user pays' charge. Yet a clear statement as to exactly how the user pays objective is being achieved, on what theoretical grounds it is sanctioned, and what the theory implies about the methods of calculating charges, appears to be almost entirely absent from discussion. This study examines the theoretical basis on which user pays policies are advocated and attempts to formulate a model which is applicable to the context in which developer charges are levied. The study also evaluates the current practice of determining developer charges in New South Wales against guidelines derived from the theory.

A method of calculation of developer charges is recommended which is inspired by the properties of optimal amortisation streams underlying the theory of long run marginal capacity cost measurement as developed by Ralph Turvey (1968*a*, 1969, 1971, 1976). Mobilising the theoretical basis of an ideal charge can provide valuable guidance in issues of charge design.

A need to improve the understanding of the basic objective of charges is vividly illustrated by the survey of current practice. There is a lack of clarity, consistency and cohesion in many formulae currently in use. A standardisation of basic procedures is recommended. Recognising that each type of infrastructure will require careful thought on how to identify the demand for the service, ascertain the extent of excess capacity, and value the assets involved, a 'model' or step-by-step approach to the calculation of charges is proposed in the concluding chapter.

LIST OF ACRONYMS

AAM	Adjusted Amortisation Method
ABS	Australian Bureau of Statistics
ACIR	Advisory Council for Intergovernment Relations
AGPS	Australian Government Publishing Service
AIC	Average Incremental Cost
AURDR	Australian Urban and Regional Development Review
BIE	Bureau of Industry Economics
COAG	Council of Australian Governments
DLWC	Department of Land and Water Conservation (New South Wales)
DUAP	Department of Urban Affairs and Planning (New South Wales)
EPAA 1979	Environmental Planning and Assessment Act 1979 (New South Wales)
IPART	Independent Pricing and Regulatory Tribunal
LRMC	Long Run Marginal Cost
MCC	Marginal Capacity Cost
MW	Montgomery Watson
OECD	Organisation for Economic Co-operation and Development
OLG	Office of Local Government
PRC	Planning Research Centre
PWD	Public Works Department (New South Wales)
PWU	Price Waterhouse Urwick
SEPP	State Environmental Planning Policy
SRMC	Short Run Marginal Cost
SWC	Sydney Water Corporation
TLRIC	Textbook Long Run Incremental Cost

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