



By **Matt McKenzie**

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DENSITY: Light rail projects are one example of public spending that benefits private landholders.

Capturing value on capital projects

A visiting Sydney-based infrastructure adviser has suggested Western Australia undertake a pilot project to recapture some of the value created by publicly funded capital works developments.

Technical director at engineering consultancy Aecom, Joe Langley, told a Consult Australia breakfast in Perth last week the concept known as 'value capture' could be used to retain a portion of the economic rents generated for private landholders through such developments.

He said there was a weak link between the benefit derived from major public projects, and the beneficiaries on one hand, and the distribution of the cost.

The two are not clearly linked in most projects, a situation that allows astute investors to earn profits from purchasing land in the right location.

Similarly, businesses located near a development benefited from uplift in sales, while consumers near a new transport hub had increased labour mobility, Mr Langley said.

Value capture, has been used successfully in the US, Mr Langely told the function, where it has been attached to major redevelopments, including an urban redevelopment project in Denver.

He said up to 26 per cent of a project's cost could be recovered through the mechanism.

The Perth Freight Link is one example of a Western Australian project where landowners could benefit, with a freight tunnel for stage two of the project lifting property prices in the Fremantle area considerably, according to reports.

Mr Langley suggested governments could sell bonus floor area, effectively increasing height restrictions for a charge, in areas that would benefit from the link.

That would recover a portion on the benefit without directly affecting households,

BNiQ DATA & LISTS

Fortescue Metals Group (FMG)

Share Price

Closing price for the last 90 trading days



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Source: Morningstar

BN30 Index

Index = 100 as of 4 Jan 2016



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Source: Morningstar

Total Shareholder Return

as at 29/01/16

	1 year TSR	5 year TSR
th Premiere Eastern Energy	0%	0%
130th Northern Star Resources	68%	58%
386th Woodside Petroleum	-12%	-3%
458th Fortescue Metals Group	-25%	-21%

767 WA (and selected non WA) listed companies ranked by 1 year TSR relative to other companies with similar revenue

Source: Morningstar

he added.

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Further mechanisms included selling assets to private public land, such as railway stations, and widening the base for value capture. He said the state government or an independent renewal authority could refer a body to study possible outcomes of 'recapture' strategies.

An inquiry, which standing committee on infrastructure, transport and cities chairman John Alexander argued could be used to fund high-speed rail.

Submissions for that inquiry were due to close last week.

One local project that has been delayed dramatically and is now effectively back at the drawing board stage is the MAX light rail line to Mirrabooka.

The state government's deteriorating financial situation has primarily been responsible for the delay in the project and suggestions it may be replaced by rapid bus or a heavy rail format.

Value capture could be used to pick up part of the cost of the project, Mr Langely said, while the state government could work with land developers and local governments to select a route that could earn an appropriate return.

Consult Australia state manager Steve Coghlan said funding major infrastructure projects using value capture could, over time, allow the state government to reduce its reliance on taxes such as stamp duty.

"Given the current constrained fiscal environment, the state government should look to consider value capture as a possible alternative funding method for major infrastructure projects moving forward," he said.

"That is not to say it is a method that should necessarily be used on every major infrastructure project within the state, but rather tailored value capture models for projects should be considered on its merits, following rigorous cost benefit analysis, together with more traditional funding methods."

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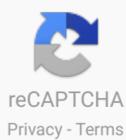
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Total value as at the date of the transaction

Source: Morningstar

Revenue

1 st	Fortescue Metals Group	\$11,264.3m
2 nd	South32	\$10,060.0m
3 rd	Woodside Petroleum	\$9,067.0m
4 th	Premiere Eastern Energy	\$926.9m
5 th	Northern Star Resources	\$846.5m

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541 listed resources companies ranked by revenue. Source: Morningstar

Remuneration from Fortescue Metals Group

3 rd	Nev Power	\$5.992m
14 th	Peter Meurs	\$2.895m
16 th	Stephen Pearce	\$2.551m

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Ranked by total remuneration from all listed WA companies

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Some of the information on ASX-listed public companies is sourced from Morningstar Australasia Pty Ltd (ABN: 95 090 665 544).

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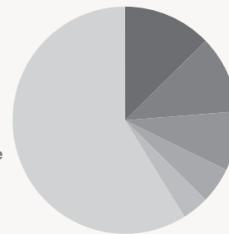
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Decrease in exploration expenditure on WA minerals deposits in March 2014 quarter



Source: ABS



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