



ACIL Tasman

Research Policy Strategy

Drainage Funding: Who should pay and how?

Presentation to the Urban Drainage Summit
by Sue Jaffer

9 October 2007



Purpose

- To present for discussion alternative funding models for drainage
 - Discuss strengths and weaknesses of each model
- Agenda for this session
 - Criteria used to assess funding models
 - Description of the funding models
 - Assessment of the models



Objectives of funding regime

- The provision of sustainable services
 - Both quantity and quality management
 - Requires adequate resourcing
- Efficient delivery of services
 - Appropriate level of service given “public good” characteristics
 - Appropriate signalling of costs
- Equitable charges
 - To support legitimacy of service arrangements



Criteria

- Efficiency
 - Revenue sufficiency
 - Allocative, productive and dynamic efficiency
- Equity
 - Different interpretations
 - Uniform charges, charges reflects costs imposed/benefits received, ability to pay
- Simplicity
 - Pricing transparent and understandable
 - Min administration costs
 - Min implementation costs



Choice of criteria

- Reflect the objectives
- Standard criteria used in economic assessments
- Consistent with Productivity Commission criteria
 - Review of developer charges in its review of housing affordability
- Emphasis on implementation since concerned with change
- Assessment of models will depend on the weight given to different criteria



Models examined

- There is a wide spectrum of potential funding models
 - With variations regarding each individual charge
 - Some inconsistent with underlying institutional arrangements
- Explored three models within the spectrum
 - Involving alternative institutional arrangements
 - Trying to be consistent between institutional and charging arrangements
 - Allowing variants for each funding model

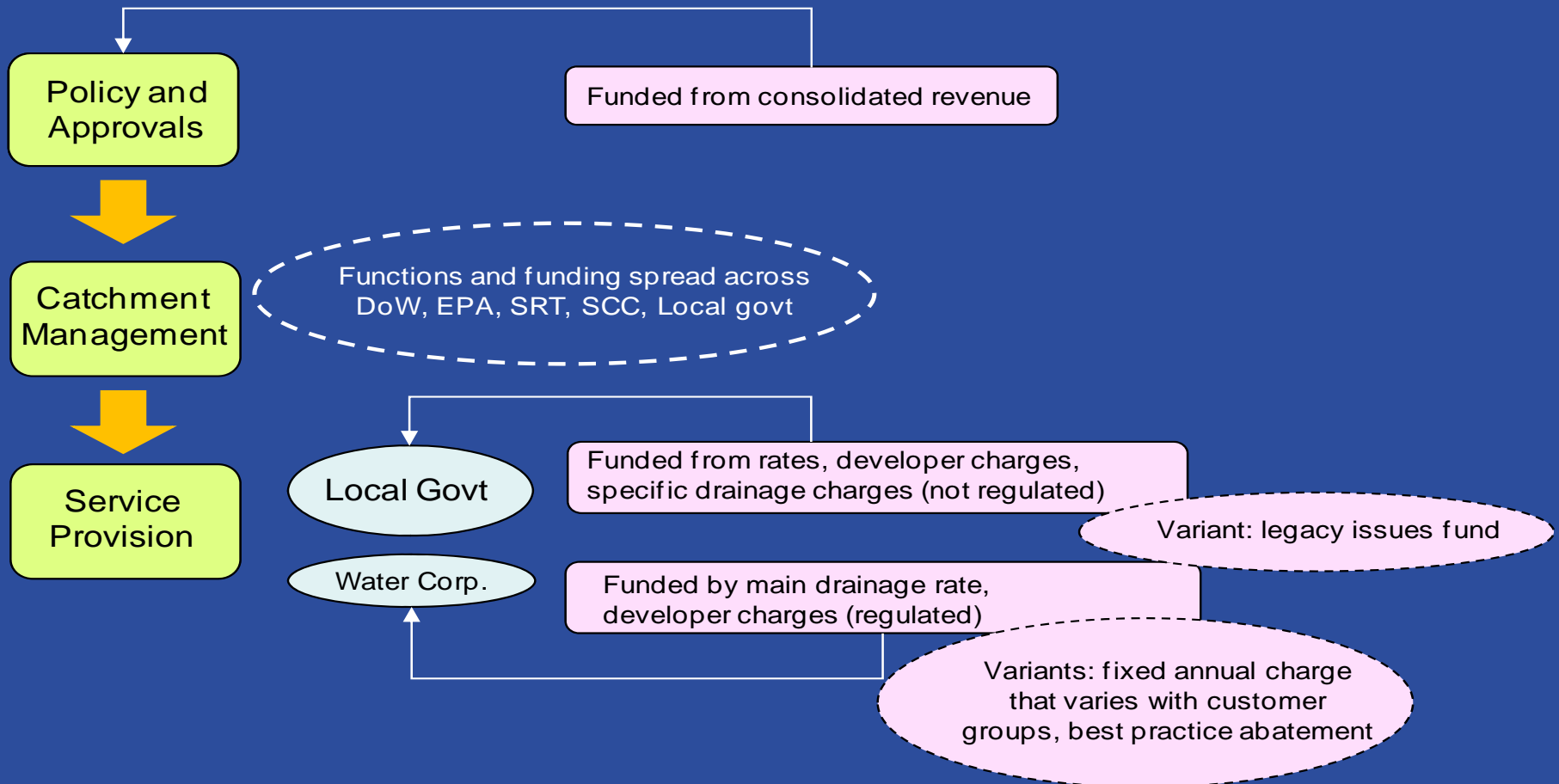


Models examined II

- Status quo
 - Similar to current arrangements
- Modified status quo
 - Based on the “Melbourne model”
- Universal charge
 - Centralised collection of charges, allocation of revenue across suppliers

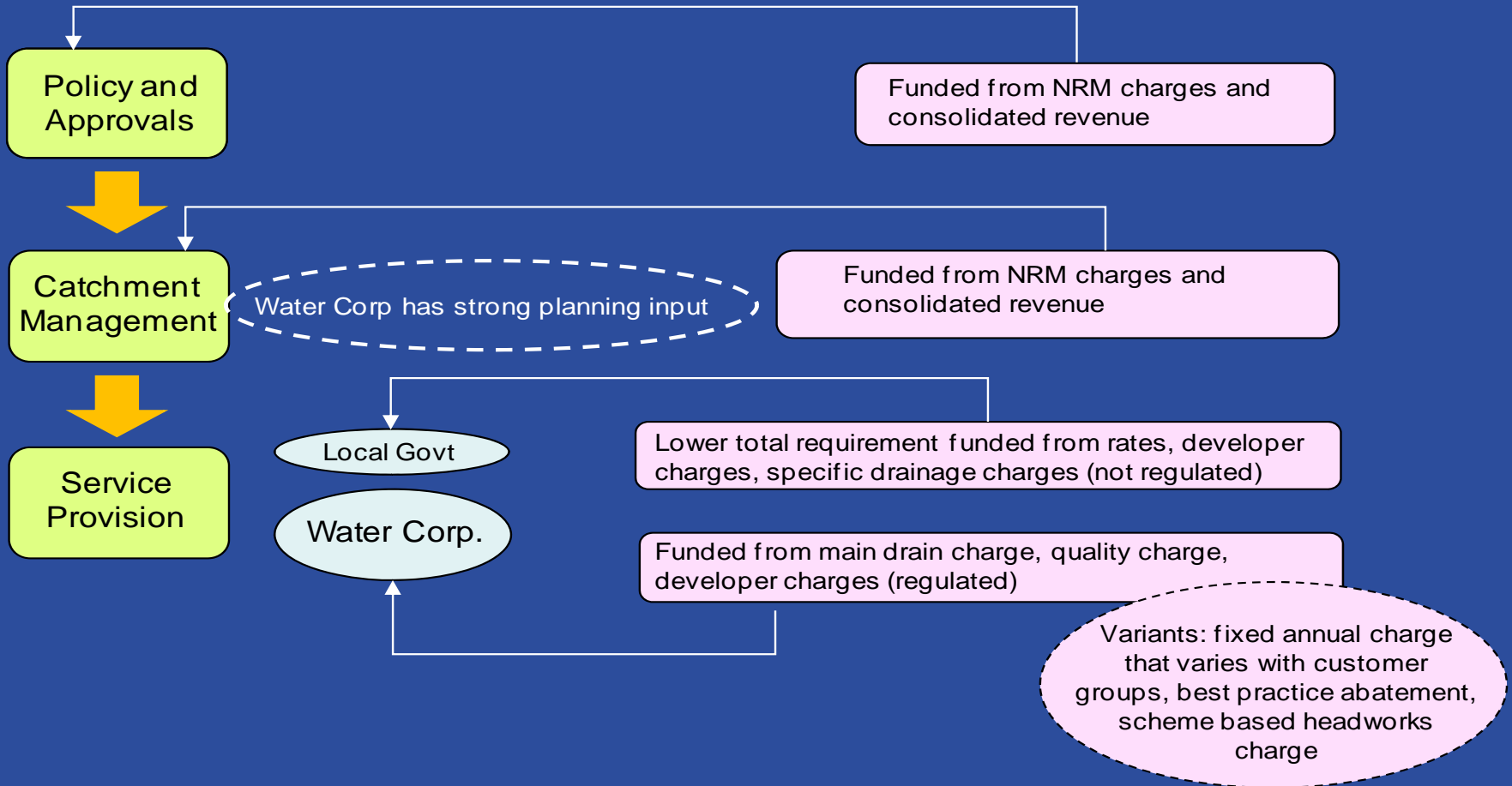


Status quo model



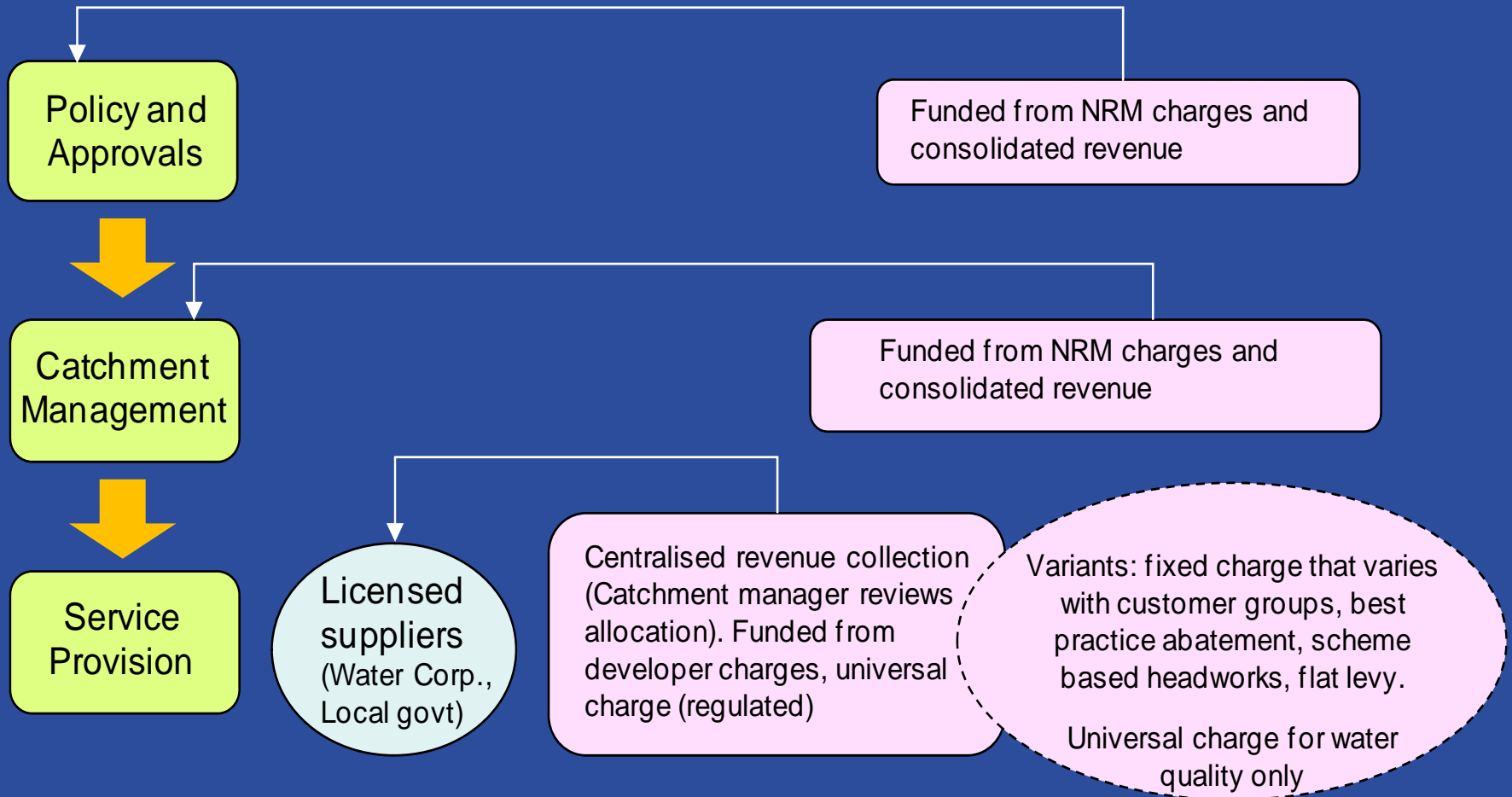


Modified status quo model





Universal charge model





Assessment – Status quo

	Status quo	Variant: Service or land area charge	Variant: Abatement of annual charge	Variant: Public funding legacy costs
Efficiency criteria				
Revenue sufficiency	Medium/Poor	Medium/Poor	Medium/Poor	Medium
Appropriate price signals	Medium/Poor	Medium	Medium	Medium/Poor
Incentives for best practice	Poor	Poor	Poor	/Medium/Poor
Incentives for investment	Medium	Medium	Medium	Medium/Good
Incentives for cost discipline	Medium	Medium	Medium	Medium
Equity criteria				
Appropriate costs allocation	Medium/Poor	Medium	Medium	Medium/Poor
Equity between developers	Medium	Medium	Medium	Medium
Simplicity				
Transparent and understandable	Good	Good	Medium/Good	Good
Low administrative burden	Good	Medium/Good	Good	Good
Implementation				
Institutional infrastructure needed	Good	Good	Good	Good
Capacity	Medium	Medium	Medium	Medium/Good
Incidence effects	Good	Good	Good	Good



Assessment – Modified status quo

	Modified status quo	Variant: Service or land area charge	Variant: Abatement of annual charge	Variant: Dev conts on scheme costs
Efficiency criteria				
Revenue sufficiency	Medium/Good	Medium/Good	Medium/Good	Medium/Good
Appropriate price signals	Medium	Medium/Good	Good	Good
Incentives for best practice	Good	Good	Good	Good
Incentives for investment	Medium/Good	Medium/Good	Medium/Good	Medium/Good
Incentives for cost discipline	Medium	Medium	Medium	Medium
Equity criteria				
Appropriate costs allocation	Medium	Medium/Good	Medium/Good	Medium/Good
Equity between developers	Medium	Medium	Medium	Good
Simplicity				
Transparent and understandable	Medium/Good	Medium/Good	Medium	Medium
Low administrative burden	Medium/Good	Medium/Good	Medium	Medium
Implementation				
Institutional infrastructure needed	Medium	Medium	Medium	Medium
Capacity	Good	Good	Medium/Good	Good
Incidence effects	Medium/Good	Medium/Good	Medium	Medium



Assessment – Universal charge

	Universal charge	Variant: Service or land area charge	Variant: Abatement of annual charge	Variant: Levy
Efficiency criteria				
Revenue sufficiency	Good	Good	Good	Good
Appropriate price signals	Medium/Good	Medium/Good	Good	Medium
Incentives for best practice	Good	Good	Good	Good
Incentives for investment	Good	Good	Good	Good
Incentives for cost discipline	Medium/Good	Medium/Good	Medium/Good	Medium/Good
Equity criteria				
Appropriate costs allocation	Good	Good	Good	Medium/Poor
Equity between developers	Good	Good	Good	Good
Simplicity				
Transparent and understandable	Medium	Medium/Good	Medium	Good
Low administrative burden	Poor	Poor	Poor	Medium/Poor
Implementation				
Institutional infrastructure needed	Medium/Poor	Medium/Poor	Medium/Poor	Medium/Poor
Capacity	Medium/Poor	Medium/Poor	Medium/Poor	Medium/Poor
Incidence effects	Medium	Medium	Medium	Medium/Poor