



Australia's property industry  
**Creating for Generations**

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Michel Masson  
Chief Executive Officer  
Infrastructure Victoria

**By email:** [michel.masson@infrastructurevictoria.com.au](mailto:michel.masson@infrastructurevictoria.com.au)

Dear Michel,

## **Response to Draft 30-Year Infrastructure Strategy**

Thank you for the opportunity to respond to the draft version of the updated Infrastructure Victoria 30-Year Infrastructure Strategy, and for your ongoing engagement with the Property Council as part of an extensive consultation process.

The refresh of the 30-year Strategy originally produced by Infrastructure Victoria in 2016, is incredibly timely given the societally transformative events of the last 12 months brought about by the COVID-19 pandemic. COVID has changed short and long-term consumer behaviour, accelerated trends, and brought long-term challenges forward.

The impact of the extended lockdowns Melburnians in 2020, and the 'Circuit Breaker' lockdown in 2021, have given rise to the need for significant effort on the part of Government and the private sector to ensure the economy recovers in coming years. Melbourne and Victoria must be repositioned as a great place to live and work, and an attractive investment destination. The finalisation of this strategy is a catalyst for needed policy reform and longer-term thinking that will put us on the path to economic recovery, and that must transcend the electoral cycle and serve a longer-term purpose.

We commend Infrastructure Victoria for its comprehensive work which informs Victoria's long-term infrastructure needs and how government, industry and other stakeholders can plan now to ensure these needs are met for our future prosperity.

We are pleased to endorse many of Infrastructure Victoria's recommendations.

Our submission directly responds to the four themes identified in the Strategy: confronting long-term challenges, managing urban change, harnessing infrastructure for productivity and growth, and developing regional Victoria. It contains a mixture of overall commentary and analysis, as well as specific responses to a selection of recommendations that informs our position.

This response is informed by a large cross-section of our membership, including our industry committees representing Sustainable Development; Infrastructure, Industrial & Logistics; Planning; and Residential Development.

## About the Property Council

The Property Council is the leading advocate for Australia's property industry — the economy's largest sector and employer.

In Victoria, the property industry makes up 13.8 per cent of the Victorian economy and employs one in four Victorians. The industry contributes \$58.8 billion to Gross State Product and accounts for 59 per cent or \$17.9 billion of Victoria's tax revenue.

The property industry employs more than 390,000 people directly and supports more than 471,000 workers in related fields. The industry pays more than \$21 billion in total wages and salaries per year. Approximately 27.9 per cent of wages and salaries paid to Victorian workers are generated by the property sector.

The Property Council's Victorian membership has over 500 members. They are architects, urban designers, town planners, builders, investors and developers. These members develop, invest in, design, build and manage the places that matter most to Victorians — our homes, office buildings, retirement living communities, shopping centres, education precincts, research and health precincts, tourism and hospitality venues.

## Theme 1: Confronting long-term challenges

### 1.1 Navigate the energy transition

Later this year the National Construction Code (NCC) 2022 Public Comment Draft will be published for wider input and both options currently being analysed will propose a 7-star NatHERS or equivalent<sup>1</sup> to come into force for new residential buildings.

Although we support the inclusion of **Recommendation 4**, our preference is to avoid overlap in regulations and to ensure implementation through the NCC mechanism.

The *Building efficiency for jobs and growth*<sup>2</sup> report released by the Property Council, Green Building Council of Australia, Energy Efficiency Council and Australian Sustainable Built Environment Council in June 2020 recommends the incentivisation of deep retrofits to improve the energy performance of existing homes. The report recommends the State Government establish a co-funding scheme to drive deep home retrofits and undertake measures to, "drive market capacity, to ensure that suppliers are positioned to scale up quickly, and support consumer demand for products and services. Examples of these measures might include government sponsored programs to support workforce skills and training, or initiatives to help consumers make well-informed choices among qualified products and services."

We support the inclusion of **Recommendation 5** on the creation of a mandatory home energy rating, but in conjunction with the implementation of a co-funding program that would drive improvements in existing home energy efficiency, as well as general awareness.

**Recommendation 6** on energy efficient Government buildings would require a carefully phased approach given many older buildings fall well below the 5.5-star NABERS standard proposed.

5.5 star is still being embedded as the new standard based on the 2019 NCC update. This recommendation should at the very least incorporate an element where the Government agrees to underwrite investment as part of a lease signing or renewal to upgrade the NABERS

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<sup>1</sup> ABCB, 'Energy efficiency: NCC 2022 and beyond, Outcomes report', <https://www.abcb.gov.au/Resources/Publications/Consultation/outcomes-report-energy-efficiency-ncc-2022-and-beyond>

<sup>2</sup>

[https://www.propertycouncil.com.au/Web/Content/Media\\_Release/National/2020/Building\\_efficiency\\_for\\_jobs\\_and\\_growth.aspx](https://www.propertycouncil.com.au/Web/Content/Media_Release/National/2020/Building_efficiency_for_jobs_and_growth.aspx)

performance of a building to an agreed level of improvement, which may require multiple phases to reach 5.5-star performance.

IV should consider recommending further targeted government incentives to aid the implementation of Recommendations 5 and 6 for buildings that invest in energy efficiency and clean energy, such as accelerated depreciation, planning incentives, stamp duty concessions and differential rates. The outcomes of the trial currently underway in Western Australia<sup>3</sup> attempting to smooth out electricity consumption over summer should be noted and inform the actions taken as part of **Recommendation 7**.

We support **Recommendation 8** which would allow gas-free housing estates. The improved thermal performance of new buildings through better insulation, airtight construction and, potentially, the wider scale adoption of HRV systems, will reduce heating requirements in buildings, and with the widescale adoption of high efficiency heat pumps for hot water will reduce or eliminate the need to provide non-renewable gas energy to new housing estates.

### *1.2 Respond to a changing climate*

In response to the direct challenges posed by climate change, we endorse the examination of water usage and supply as a key plank of the Strategy. As part of the policy thinking that informs **Recommendation 12** on an integrated model of water cycle management, work should be performed to understand whether this is best done on a large (third pipe system) or small (immediate precinct) scale, and whether this should be limited to growth areas or also encompass urban renewal precincts. **Recommendations 11, 12 and 13** on water will encourage and enable private sector investment in the water sector; in particular, investment in wastewater treatment and recycling projects, on a whole-of-life basis, noting the private sector experience in similar projects in other jurisdictions. Where there is potential to recycle capital through the sale of existing facilities, this will free up capital for investment elsewhere.

The strategic review of climate change consequences on Victoria's infrastructure proposed in **Recommendation 10** would benefit from further refinement. While we clearly support such a review from a risk identification and investment priority perspective, more can be done in this recommendation to identify the potential consequences and the objectives. Likewise, implementing the actions of **Recommendation 9** on assessing climate risk should draw on additional tools such as ISCA's Climate Change Adaptation Guideline or the Taskforce on Climate-Related Financial Disclosures.

### *1.3 Embrace technological opportunities*

We support a review of land use planning guidance as outlined in **Recommendation 17** on the expected introduction of automated vehicles. For instance, mandated car parking ratios have not kept pace with the changes in vehicle usage and should be more flexible to also accommodate other types of electronic mobility devices, as highlighted in **Recommendation 19**. We also support upgrades in road operations management as outlined in **Recommendation 20** as a key focus of future urban planning and managing Melbourne's growth must be unlocking congestion around our suburbs.

### *1.4 Stay connected to global markets*

The Property Council strongly supports the series of recommendations made in this section. The COVID-19 pandemic and its associated travel challenges has placed significant pressure on supply chains, but the resilience and capacity of Melbourne's ports infrastructure (sea and air) has so far ensured these challenges have been smoothly overcome. At the same time,

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<sup>3</sup> ABC, 'WA electricity prices would be slashed during the day, doubled during peak under new Government trial', <https://www.abc.net.au/news/2020-12-16/wa-government-power-market-trial-to-protect-grid/12986348>

the pandemic has also reinforced the need to ensure the competitive advantages Melbourne has enjoyed, such as Melbourne Airport's curfew-free status, and the capacity of the airport and the Port of Melbourne to continue to expand, are not only preserved, but enhanced.

As the Property Council submitted in 2020 to the independent review of Victoria's ports<sup>4</sup>, the process for the development of planning controls for the Fishermans Bend Urban Renewal Area, which in part borders the Port of Melbourne boundaries, enabled the development of residential housing immediately adjacent to the Port's boundaries through a Capital Cities Zone overlay, despite the operation of Planning Advisory Note 56.

Without strong enforcement and adherence to appropriate buffers, there may be undue pressure placed on a port's curfew-free status. This should be incorporated as a mechanism to further bolster **Recommendation 24** to optimise the Port of Melbourne's capacity. We anticipate the final recommendations from the ports review should reinforce this need as well and highlight the need for government action that supports the integration of rail for moving freight.

We also fully support **Recommendation 26** on the need for the purchase of land for Melbourne's future freight terminals, especially the Western Interstate Freight Terminal at Truganina. Commitment to this site will assist with other strategic land use decisions in western Melbourne and, should a second port be located at Bay West, will deliver efficiencies and jobs in this fast-developing growth corridor.

We propose that this section be supplemented with an additional recommendation (or additional supplementary text) underscoring the need for a revised strategy to ensure greater industrial land supply in greater Melbourne. The pandemic has accelerated already strong demand for industrial land and research conducted for the Property Council by Urbis<sup>5</sup> (before COVID) found there was a remaining supply of 5.3 years of industrial land supply. The Government's updated Melbourne Industrial and Commercial Land Use Plan, released in April 2020, recommended the development and implementation of a "more sophisticated methodology and approach to assess future supply and demand for industrial land". A strong industrial land supply pipeline and a coordinated approach to freight movement will be essential in protecting Melbourne's liveability and economy, especially as Victoria competes for business and capital in a post-COVID environment.

The integration of rail freight (**Recommendation 27**) should be a significant and urgent infrastructure development priority, not only for the efficient movement of goods but for reducing road congestion – rail freight has traditionally been a poor cousin in infrastructure investment, and it is pleasing to see the Strategy lend weight to this.

### *1.5 Build a circular economy*

The Property Council supports **Recommendation 28** on the need to facilitate improved recycling infrastructure for the increased recovery of goods. Conversations around embodied energy and materials are happening frequently in both the buildings and infrastructure space and it would be valuable to consolidate and action this knowledge. Energy from waste projects will significantly benefit from removal of the barriers described in **Recommendation 30** as well as the reconsideration of current caps on tonnages of waste that can be sent to such facilities, which are dampening the appetite for investment in crucial infrastructure that can

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<https://www.propertycouncil.com.au/Web/Content/Submissions/VIC/2020/Independent%20Review%20of%20the%20Victorian%20Ports%20System.aspx>

<sup>5</sup> Urbis, 'Melbourne's Industrial Land Supply Debunked', December 2018,

[https://www.propertycouncil.com.au/Web/Content/News/VIC/2018/Melbourne\\_s\\_Industrial\\_Land\\_Supply\\_Debunked.aspx](https://www.propertycouncil.com.au/Web/Content/News/VIC/2018/Melbourne_s_Industrial_Land_Supply_Debunked.aspx)

materially reduce reliance on damaging landfill sites. Where possible, waste policy should ideally align with policies in other jurisdictions to allow the private sector to gain efficiencies.

## **Theme 2: Managing urban change**

### *2.1 Integrate land use and infrastructure planning*

We strongly support the strategy's goal of integrating land use and infrastructure planning. During the 2020 lockdowns, many Victorians rediscovered a 'love for local' as they relied exclusively on local amenity (and online delivery) to live, work and play. It is vital that local infrastructure keeps pace as communities grow and evolve but it is clear, as the Strategy lays out, that more can and must be done to support local infrastructure development.

Since the publication of this draft Strategy, the Property Council has been invited by the Government's Infrastructure Contributions Advisory Committee<sup>6</sup> to provide feedback separately on potential reform options in this area, so we are pleased to see action underway that will address **Recommendation 34**. We are actively engaging with the Committee over the coming months to develop our reform proposals, but at its core, the system of infrastructure contributions should promote affordability, liveability, efficiency, equity, accountability and consistency. Any recommendations in the final Strategy should align with and complement the work of the Infrastructure Contributions Advisory Committee.

The development of long-term plans for priority sectors as outlined in **Recommendation 32** (and **Recommendation 33** for transport planning) will not only readily identify looming infrastructure gaps but promote investment certainty and continuity. The private sector appetite to partner with government on infrastructure development remains strong and the extra transparency provided by these pipelines would enhance future opportunities. Setting the context for infrastructure plans which determine the pipeline of individual projects and then, where necessary, adjusting the context to adapt to a changing environment (such as responding to the adaptations in the way people work and live after COVID), will enable better outcomes in the long run.

It is critical that these plans demonstrate clear linkages between infrastructure projects and how they integrate end-to-end supply chains and population centres and precincts. This will drive greater productivity from infrastructure investment over the long term, supporting improved economic and non-financial outcomes for Victoria.

### *2.2 Create thriving urban places*

With such a large infrastructure pipeline in Victoria, opportunities abound for higher density around key projects (particularly for preliminary station locations for the Suburban Rail Loop when constructed) and the creation of amenity and employment opportunities.

In lending our support to **Recommendation 35**, we recommend the Strategy includes support for the creation of a specific precincts authority, with a direct reporting relationship to a key economic minister to oversee precinct development, including the role of developing higher density communities. While there would be a large focus on new precincts, we believe such an authority could also examine 'untapped' existing precincts, including Cremorne, West Melbourne, Tottenham and Swinburne University and create positive density outcomes, as they relate to liveability, investment and employment. More information about our position on

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[https://www.propertycouncil.com.au/Web/Content/Submissions/VIC/2021/Response\\_to\\_the\\_Victorian\\_Infrastructure\\_Contributions\\_System.aspx](https://www.propertycouncil.com.au/Web/Content/Submissions/VIC/2021/Response_to_the_Victorian_Infrastructure_Contributions_System.aspx)



precincts can be found in our 'Principles of Successful Precincts' paper<sup>7</sup> released in August 2020.

We do not support **Recommendation 36** on inclusionary zoning for very low-income housing.

We recognise that the provision of appropriate levels of affordable housing is reliant on several complex policy and market factors, however mandatory inclusionary zoning operates as a tax on at-market dwellings and can result in consequences that are counter to the policy objective of providing more affordable housing. The history of inclusionary zoning in London, for instance, where the UK's *Town and Country Planning Act 1990* permits localities to require developers to provide a percentage of affordable housing, requires initiatives such as government grants and loans to developers to reach affordable housing targets, and even then, some targets are not met. It has also resulted in a significant shortage of new at-market housing<sup>8</sup>, leading to a greater housing affordability challenge than experienced before. This demonstrates the unintended effect that inclusionary zoning policies have which run directly opposite to their intended effect.

There may be limited circumstances where inclusionary zoning is appropriate, where it occurs on Government land, is clearly identified in any master planning or bid documents issued by Government and is not imposed after a procurement process. Rather than mandating affordability taxes, the Property Council instead recommends an approach whereby the private sector is appropriately incentivised to provide affordable housing, including upzoning, land tax relief and fast-tracked planning approvals.

Such an approach could be integrated into a successful strategy on interconnected open space networks as described in **Recommendation 37**. As discussed in the forum facilitated by Infrastructure Victoria on 9 February, governance structures in this area are in significant need of updating and alignment.

The allocation of road space to priority transport modes described in **Recommendation 41** should be a longer-term project and not an immediate response to the trends experienced or exacerbated due to COVID-19. The reallocation of existing road space will be contentious and need to be carefully managed, based on solid justification and not temporary, short-term trends.

The Property Council supports strong public transport integration in priority and urban renewal sites, such as the Fishermans Bend tram route in **Recommendation 43**. Timely train and/or tram linkages should be a focus in all priority precinct sites identified by the Government.

### *2.3 Steer changes in travel behaviour*

While we support higher levels of patronage on our public transport system, the adoption of variable pricing (**Recommendations 45 and 46**) may lead to additional complexity that inadvertently make public transport less accessible. The current off-peak 30 per cent discount trial launched at the end of January is unfortunately unlikely to collect highly relevant data due to the extremely irregular commuter travel patterns we are experiencing during COVID. We support further investigation and trialling before permanent adoption.

We do not support any strategy to increase and/or extend the congestion levy (**Recommendation 50**), which has not been effective to date (pre-COVID) as a tool to reduce congestion, while only adding to business costs and reducing our national and international

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[https://www.propertycouncil.com.au/Web/Content/Submissions/VIC/2020/Principles\\_of\\_Successful\\_Precincts\\_1.aspx](https://www.propertycouncil.com.au/Web/Content/Submissions/VIC/2020/Principles_of_Successful_Precincts_1.aspx)

<sup>8</sup> Evening Standard, 'London housing shortage: home building is rising at a slower rate in London than any other region', <https://www.standard.co.uk/homesandproperty/property-news/london-housing-shortage-home-building-is-rising-at-a-slower-rate-in-london-than-any-other-region-a132876.html>

competitiveness. An increase of the levy will only be passed on and disproportionately impact workers in essential industries, especially those on evening and night shifts where access to public transport is at best sub-optimal. Policies designed to support a modal shift away from private vehicles (**Recommendations 50 to 55**) must take into consideration the adequacy and capacity of public transport options, and timing as to when new public transport capacity comes online.

An expansion of the congestion levy will negatively affect retail trade in the inner suburbs, impacting on supermarkets and retail centres which heavily rely on 'trolley sales' rather than 'basket sales', and the consequent effect that would flow through to neighbouring specialty stores. We are also concerned with **Recommendation 48** on distance-based pricing for electric vehicles, which may act as a financial disincentive and run contrary to sustainability objectives and net zero carbon targets. Our focus should be on speeding up the transition to low and zero emissions vehicles, and tax revenue shortfalls should be sourced elsewhere.

#### *2.4 Adapt infrastructure for modern needs*

We strongly support the establishment of a dedicated upgrade fund to contribute to accessible buildings (**Recommendation 56**) and the renewal of public housing (**Recommendation 57**) which is in part underway through the Government's Big Housing Build program. We reinforce the need for the public housing renewal program to be designed to leading sustainability standards including appropriate insulation and airtightness to improve resilience and reduce emissions and costs.

We are unsure of the real benefits of **Recommendation 60** on expanding critical infrastructure definitions, given it is highly unlikely that government will ever exercise statutory powers to 'step in' and give directions and the trade-off is unlikely to be worth the additional reporting obligations that will be imposed upon those participating in the relevant sectors.

### **Theme 3: Harnessing infrastructure for productivity and growth**

COVID-19 may have temporarily slowed population growth in Melbourne, but it is appropriate to re-examine Melbourne's transport networks to set them up for the long-term. The opening of Melbourne Metro in 2025 and the reconfiguration of our metropolitan train system presents an opportunity to rethink the use of all existing transit (and supporting) infrastructure to set them up successfully.

As such, we support in principle the series of recommendations made in section 3.1 on shaping transport for better access. The underutilisation of our bus network can in part be addressed through better alignment and coordination, where some positive steps were taken in the latest timetable reshuffle launched in January this year. Enabling integration with bicycle infrastructure (bike racks on buses) should be a priority to encourage more active transport. The focus on how our transport system can better support a wider spread of jobs, especially in industrial areas and within defined employment and innovation clusters, will help ensure attraction and retention of talent and support growth in our suburban activity centres.

We suggest **Recommendation 65** on the reconfiguration of the City Loop should contain a commitment to a feasibility study within the next two to three years to ensure a strong evidence base before such city reshaping work is conducted. This can be conducted in proximity to or alongside the Melbourne Metro Two business case (**Recommendation 66**), which we support fully to scope the need for a south-west to north-east city connection.

As mentioned earlier in our response to recommendation 35, a specific precincts authority is appropriate to monitor and oversee infrastructure delivery, so we support **Recommendation 68** in full. It would also be appropriate for this body to oversee the development of business cases identifying the infrastructure requirements for growth areas, as well as the identification of current gaps. The protection of land for future rail access and infrastructure in growth areas

(**Recommendation 69**) is also supported, which will help to build sustainable communities that are not entirely reliant on private car travel.

The targets for tree canopy coverage have tended to vary wildly between local government areas and we support a strategy to ensure consistency for development (**Recommendation 71**) with government support as outlined in this draft strategy. A coordinated tree canopy coverage strategy should also consider diversity in species to protect biodiversity and integration with water sensitive urban design for sustainable, low-cost irrigation to keep tree canopies healthy.

On the need for social infrastructure, we support further development of social housing to meet the national average delivered through appropriate mechanisms (**Recommendation 73**), while increased hospital capacity (**Recommendation 74**) should be planned for in the context of overarching long-term strategy for delivery of health services in all settings.

#### **Theme 4: Developing regional Victoria**

The focus on regional Victoria in the draft strategy supports liveability in regional and remote areas (brought into a sharper focus in recent months by early signs of migration trends from major cities to the regions) but also how to increase productivity and improve freight linkages between Melbourne and regional Victoria. A well-funded rail freight maintenance program is an essential part of the strategy (**Recommendation 79**) and should operate in tandem with required new infrastructure to sustain a connected, high quality rail freight network, which maximises the movement of goods by rail and supports smooth transfer from rail to road (and vice versa) as appropriate. An ongoing regional road maintenance program (**Recommendation 77**) is fundamental good asset management practice that should be applied across all asset classes.

The remainder of the recommendations across this category are uncontroversial and should be embedded in business-as-usual practice across government.

#### **Summary**

If you require further information or clarification on our response, please contact Andrew Lowcock, Senior Policy Advisor, on 0447 666 902 or [alowcock@propertycouncil.com.au](mailto:alowcock@propertycouncil.com.au). We also welcome any further engagement as you progress with the finalisation of the strategy.

Yours faithfully,



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