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Australia's property industry

Creating for Generations

22 October 2019

Mr Tim Pallas MP
Treasurer of Victoria
Level 4, 1 Treasury Place
EAST MELBOURNE VIC 3002

The Hon. Jaala Pulford
Minister for Roads
Level 20, 1 Spring Street
MELBOURNE VIC 3000

Tim Jaala
Dear Treasurer and Minister,

Improving Department of Transport's focus on commercial outcomes in planning

The Property Council of Australia (Victorian Division) (**Property Council**) welcomed the recent opportunity to make a submission into the Commissioner for Better Regulation's Review into Victoria's Planning and Building Processes.

As part of this process, the Property Council brings to your attention the transitional arrangements for VicRoads/Department of Transport, and the economic realities of planning delays triggered by referral authorities.

Almost all developments intersect with the road network and supporting infrastructure. Currently, VicRoads receives approximately 14,000 applications from the property sector each year across a vast range of projects. Amongst these interactions, VicRoads is consistently the last referral authority to provide approvals. Costly delays result in a ripple effect for end purchasers, impacting affordability.

It is essential for the progression of developments in the State that they be supported by clear terms of engagement and procedures to avoid burdensome delay and unseen costs to projects.

The Property Council believes these processes can be expedited to ensure that the economic viability of existing projects can be preserved. We understand the Commissioner will cover referrals generally in her report but we write to highlight the specific importance of VicRoads and ask that particular attention be paid to this area of work.

Below are some additional examples of departmental integration issues:

Scope Creep

The Victorian Planning Authority (VPA) facilitates consultation with a range of stakeholders in order to produce a draft Structure Plan as part of the Precinct Structure Plan (PSP) process. The preparation of transport and movement commentary, maps and street cross sections are key topics of consultation that form the basis upon which developer contributions are set and agreed.

However, scope/design variations and extensive discussions over 'interim' versus 'ultimate' intersections have resulted in unforeseen cost variations to the agreed developer contribution budget that remain unfunded unless individual developers elect to directly fund works in order to progress their development program.

A significant cost overrun at a later stage of the project is extremely difficult to manage and can threaten both the timing and the viability of projects.

Lack of Clarity for Approval Processes Addressing Change

Secondly, when projects experience delay, where there is scope creep or inconsistent decisions on 'interim' versus 'ultimate' traffic treatments, there is often no escalation path within VicRoads to elevate these issues from officer level to an appropriate decision maker.

Thirdly, when infrastructure needs significantly change, there are some instances where the quantum of price escalation is so significant that it is simply not possible for the developer to foot the bill. In these circumstances, if the road treatment is insisted upon, in some cases, it will not be possible for the project to be completed unless Government shares some of the cost.

Recommendations

1. In the continued transition of VicRoads into the Department of Transport, we ask that:
 - a. the development industry continues to be consulted as a key stakeholder; and
 - b. attention be paid to how to ensure that project timeline and deliverables receive appropriate attention.
2. On an ongoing basis, there needs to be a commercial focus to the engineering outcomes that are being developed, particularly in relation to PSPs. We ask that technical engineering expertise be a mandatory consideration at the initial phase of PSP planning to avoid cost overrun at a later stage.
3. That clear and timely escalation paths be established within Government to ensure that scope creep does not impact project viability and necessary infrastructure changes can be resolved in a timely manner.
4. That Budget be allocated towards a mechanism to contribute to cost escalation at the design approval stage, in circumstances where such an escalation occurs through no fault of the developer.

The Property Council of Australia

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

In Victoria, the property industry contributes \$45.1 billion to Gross State Product (12.4 per cent), employs more than 331,000 people and supports more than 400,000 workers in related fields. It pays more than \$21 billion in total wages and salaries per year, employs one in four of the state's workers either directly or indirectly, and accounts for 57.5 per cent of Victorian tax revenue.

In Victoria, the Property Council has more than 500 members. They are architects, urban designers, town planners, builders, investors and developers. These members conceive of, invest in, design, build and manage the places that matter most — our homes, shopping

centres, office buildings, education, research and health precincts, tourism and hospitality venues.

Next Steps

If you require further information or clarification, please contact me on (03) 9650 8300 or cwall@propertycouncil.com.au.

Yours sincerely,



Cressida Wall
Executive Director, Victoria
Property Council of Australia