

31 October 2016

Mr Michel Masson
Chief Executive Officer
Infrastructure Victoria

Via Website: <http://yoursay.infrastructurevictoria.com.au>

Dear Mr Masson,

Re: Victoria's Draft 30-Year Infrastructure Strategy

Thank you for the opportunity to provide a submission on the above report.

The Property Council of Australia is the largest and most active advocacy organisation in the property industry. Our response to the Draft 30-Year Strategy Report is informed by our Industrial, Infrastructure and Logistics, Planning, Residential Development and Sustainability Committees.

The Property Council is committed to the long term economic prosperity of Victoria, which in turn creates jobs and strong, liveable communities. The presence of world class infrastructure is vital to securing Victoria's investment, employment, manufacturing, export and growth into the future.

Please find attached the Property Council's submission which has prioritised the recommendations that are crucial to support population growth and maintain livability.

We would be pleased to meet with you to discuss our submission. Please contact Linda Allison, Policy and Business Development Executive on 9650 8300 or lallison@propertycouncil.com.au if you require further information.

Yours sincerely



Sally Capp
Victorian Executive Director
Property Council of Australia

Contents

Executive Summary 3

Format of this submission..... 5

Priority Recommendations..... 5

1. Victoria’s economic future 7

2. A comprehensive integrated strategy..... 7

3. Leveraging existing infrastructure..... 8

4. Infrastructure Priorities – three key policy areas..... 8

 Density 8

 Congestion 10

 Social and Affordable Housing..... 11

5. Additional priorities 12

 Freight..... 12

 Tourism..... 12

6. Funding and financing 13

7. About the Property Council 14

Executive Summary

We support:

- **Infrastructure Victoria's consultative approach and commitment to evidence based research;**
- **Maximising efficiencies from existing assets;**
- **Integrating key strategic policies such as this draft strategy together with Plan Melbourne Refresh; and**
- **Integrating infrastructure policies with land use policies.**

We suggest:

- **A comprehensive economic strategy for the State to support the Infrastructure Strategy;**
- **That it is important to understand and acknowledge the existing State taxes, levies, contributions and fees when addressing funding options.**

We prioritise:

- **Increasing density;**
- **Managing transport congestion;**
- **Providing social and affordable housing;**
- **Freight and logistics; and**
- **Tourism infrastructure.**

The Property Council welcomes the opportunity to provide input to Infrastructure Victoria's draft strategy paper. The Property Council supports Infrastructure Victoria's consultative approach, and its commitment to evidence-based research.

The Property Council's support for Infrastructure Victoria and our position on individual recommendations are already documented in our response to *All Things Considered*. Rather than reiterate these positions, this submission will focus on the key policy areas that align with Infrastructure Victoria's three priority recommendations; increasing density, managing congestion and providing housing for those most vulnerable.

In addition to these three priorities, the property industry has identified infrastructure opportunities that will maintain our competitive edge in freight and logistics and grow the tourism sector, both of which are significant to the economy and the success of the State.

In considering these priorities, it is our position that a comprehensive economic strategy for the State is required. While this is out of scope for Infrastructure Victoria, we urge the Government to prepare an economic strategy in concert with the infrastructure strategy, as it will be jobs growth and economic opportunities that will determine the regions of population growth and the associated infrastructure required.

The Property Council notes that this draft strategy paper has an increased focus on integrating infrastructure policies with land use policies. We welcome this approach, as it is essential that infrastructure priorities are comprehensively integrated with other key strategic policies such as *Plan Melbourne Refresh*.

The Draft Strategy has a strong focus on maximising efficiencies from existing assets. We support this position, as it is essential to manage our city sustainably, and to extract the full benefit of our current asset base, which has taken over a century to develop.

We also remind Infrastructure Victoria that our outer suburban growth areas have a unique infrastructure challenge, essentially - rural areas are being converted to new communities. It is important to balance the delivery of these areas with the strategy for densification of established areas.

We reiterate our position that when addressing funding and financing options, it is important to understand the current context of existing state taxes, levies, contributions and fees. This is particularly important for the Victorian property industry, which currently contributes more than 50 per cent of state revenue (primarily through transfer duties and land tax) and myriad developer charges. While the composition of state funding is out of scope of Infrastructure Victoria's mandate, recommendations relating to alternative funding and financing arrangements must be considered within the context of the current state taxation system.

Format of this submission

The Property Council will address the recommendations listed in the paper in the following manner:

- We will provide commentary on the recommendations that relate to the three priorities identified by Infrastructure Victoria
- We will also outline other areas of priority important to the industry and the wider economy
- We will discuss infrastructure funding briefly, but will provide a submission to the recently released paper on Value Capture separately.

Priority Recommendations

The Property Council has prioritised the following recommendations above the other recommendations in the draft strategy:

Priorities	Existing Infrastructure	Increasing Density	Transport Congestion	Social and Affordable Housing	Freight and Logistics
1.1 Development in established areas	√	√	√	√	√
1.1.2 Development in/around employment centres	√	√	√	√	√
10.2.2 Transport Network pricing	√		√		√
11.4.6 North East link			√		√
7.2.1 Public housing refurb/rationalising	√	√	√	√	
7.3.1 Affordable housing fast track approvals		√	√	√	
7.4.1 Affordable Housing Plan		√	√	√	
10.4.6 Metropolitan rail upgrades	√	√	√		√

Priorities	Existing Infrastructure	Increasing Density	Transport Congestion	Social and Affordable Housing	Freight and Logistics
13.3.1 Freight Precincts	√		√		√
13.3.2 Port of Melbourne Rail Access					√
13.3.3 Western Intermodal Freight Terminal					√
PCR 1 – Property Council Recommendation 1: Determine policy levers that increase density in key locations	√	√	√	√	
PCR 2 - Property Council Recommendation 2: Identify key infrastructure opportunities to grow the tourist sector.	√				

1. Victoria's economic future

The Property Council recognises the detailed research undertaken by Infrastructure Victoria to prepare the Draft Strategy. We concur with the objectives and needs that shape the strategic framework for this report. We are particularly concerned with the impact of population growth on the State, and managing this growth to maintain livability.

We also recognise that there are certain infrastructure projects that are urgent, and long overdue, such as the North East Link, and the critical need for social and affordable housing.

However there appears to be a missing overarching policy by the Government for strategic economic planning. The Property Council asserts that it is difficult to prioritise and plan for infrastructure, when an overarching plan for jobs growth, and job location appears to be absent from land use, planning and infrastructure discussions. This is also important for regional areas. It is important to be mindful of the continually evolving demographic profile of the State, and the need for frequent reviews of demographic trends to tailor strategy and policy.

While this is outside of Infrastructure Victoria's scope, it impacts on the orderly implementation of future infrastructure. For example, a cost-benefit analysis on a particular infrastructure project may not currently be compelling. However, that project's cost-benefit ratio may improve significantly if there were a Government policy to significantly grow employment in that location, and significantly increase density in surrounding areas. Examples of this may be a light or heavy rail link to the Monash Employment Cluster or a rail link to Melbourne Airport.

The Property Council asserts that a state-wide economic strategy is needed to articulate:

- The sectors which enjoy a current competitive edge over interstate and international jurisdictions (for example, biomedical, freight and logistics);
- Strategies for growing these sectors;
- Sectors which have potential to grow and provide jobs for increasing population;
- Locations which will support such sectors;
- Transport and other infrastructure to attract and retain that growth; and
- Land use planning to support the population to live and work in proximity to these areas.

2. A comprehensive integrated strategy

In addition to a state-wide economic plan, the Property Council agrees with Infrastructure Victoria that there needs to be a comprehensive, integrated strategy across all government departments (recommendation 1.5.1). Historically policy decisions have been made in silos, leading to poor outcomes, especially in the growth areas.

A well-known example of this issue is the lack of social infrastructure in growth areas. Communities are crying out for schools, medical facilities, police stations, ambulance stations and public transport. The delivery of these facilities is not orderly, and the timing of

infrastructure delivery is too often dependent on an election cycle. Funds from the Growth Area Infrastructure Contributions stay in consolidated revenue unspent, and the need is great. For example, \$176,010,655 was collected through GAIC and only 4.3 per cent was spent last financial year¹.

If the predicted population growth is to be accommodated in a timely and sustainable way, government departments and agencies must work collaboratively to ensure livability that is equitable for all Victorians, regardless of where a person lives, studies or works.

3. Leveraging existing infrastructure

The Property Council agrees that better use of existing assets not only provide more efficient use of public and private assets, but also deliver a greater community benefit.

Our previous submission provided commentary on this issue, particularly on the issue of local government assets, and the potential to deliver greater benefits to the community through better utilisation of these assets.²

4. Infrastructure Priorities – three key policy areas

The Property Council agrees with Infrastructure Victoria's top priority areas of Density, Congestion and Social Housing. The Property Council believes the recommendations below must incorporate principles of sustainability, livability and amenity.

Density

Policy makers, academics and industry representatives understand that to accommodate population growth, the density profile of Melbourne must change. This requires a major shift in the way Melbournians will live, work and play. There is a large, vocal section of the community who do not accept this position and actively work against increased densification, particularly in the middle ring suburbs.

The Property Council commissioned its own research into this issue, to understand the causes behind the negative sentiments to density.³ The reasons are complex, but a significant factor is the failure of policy makers to communicate the changing needs of the city to the community and why change can be a positive. Further, there is currently no incentive for local councils to increase density in their respective areas.

Infrastructure Victoria rightly identifies that the city needs to densify so that infrastructure assets can be used efficiently and that new infrastructure delivers value for taxpayer money.

¹

http://www.propertycouncil.com.au/Web/Content/Media_Release/VIC/2016/Government_legislates_around_Frontlink.aspx

² The Property Council's report *Hidden in Plain Site* is available at www.propertycouncil.com.au

³ Further information on *Marketing Density* is available from the Property Council.

However, unless the community sentiment changes on this issue, or unless government is willing to use policy levers to achieve density targets, the stalemate will continue.

Property Council supports all the recommendations in *Need 1, address infrastructure demands in areas with high population growth*. To specifically address densification in established areas, the Property Council supports the following recommendations as a matter of urgency:

1.2 Development in established areas

The Property Council agrees that established areas are well positioned to densify as they are already well serviced by existing infrastructure.

1.1.2 Development in/around employment centres

The Property Council notes that the two existing major employment centres of Monash University precinct and the Melbourne Airport precinct that need greater investment in transport and connectivity to maximise their full potential. This investment needs to target the broader area of these precincts. For example, Monash University is relatively well serviced by public transport, however connectivity between the university and surrounding industries is lacking. The connectivity between Melbourne Airport and surrounding business and industrial parks is also poor. To unlock density targets, a comprehensive plan is needed to maximise people's ability to work, live and visit in these, and other employment areas.

The Property Council also believes that to meet the density targets required, some policy levers will be required. This may include removal of third party rights in some instances, or to introduce new zoning for density (depending on the outcome of the current zone reform project by DELWP). Therefore, an additional recommendation is – (PCR1): Determine policy levers that increase density in key locations.

The Property Council agrees that there are opportunities to increase density in the south-east of Melbourne, and to make better use of existing assets. In focusing on the south-east, it is important to not overlook the infrastructure needs in the north and north west.

Other important factors that will determine the success of density measures include

- Innovation and forward thinking in transport
The potential to use technology such as driverless vehicles and driver assistance applications can have a major impact on a successful medium density city and transport congestion. Car sharing and different approaches to car ownership are also part of the equation. The Property Council supports recommendations 10.7.2, 10.7.3, 10.6.3 and 6.2.2.
- Innovation and forward thinking in building
To support increased density, the way community assets are constructed will need to change. For example, single level, sprawling school buildings may not be viable in

established areas. Vertical school design must be part of the density picture. This can also apply to other community assets such as justice, medical and community services.

- Innovation in freight delivery

As density increases, so too does the need for people to have goods and services delivered on a 24/7 basis. This impacts the number of trucks and delivery vans travelling through neighborhoods and could impact on amenity. As the city densifies consideration will need to be given to these challenges. The City of Melbourne is already addressing this issue through its last kilometer freight strategy⁴.

Property Council also endorses recommendations 1.21, 10.8.1, 10.5.2, 10.4.3, 6.1.3, 1.3.3, 11.4.3, 10.8, 10.4 and 10.5.

Congestion

The cornerstone recommendation by Infrastructure Victoria to solve congestion is transport network pricing (10.2.2). The Property Council supports congestion pricing.⁵

The success of transport network pricing is contingent on giving commuters viable alternatives. The pricing mechanism must also be structured in a way to genuinely change behavior. In developing a transport network pricing system, all current charges relating to congestion (such as the CBD congestion levy) and their efficacy must be considered.

The immediate challenge with transport network pricing is the paucity of viable alternatives for commuters, particularly those who live in the growth areas. For equity reasons, a transport pricing network can only be implemented when public transport is available at the frequency required, with integrated connection to other modes, across Metropolitan Melbourne.

To assist in successfully modifying driver behavior, the Government must create a timetable for public transport use targets.

There are many transport infrastructure projects that could alleviate congestion. The Property Council supports investing in the North East Link (11.4.6) as a matter of urgency.

As mentioned previously, the movement of freight, particularly parcel delivery in areas of increasing density will impact on congestion and amenity. Technological solutions can also assist in managing congestion due to freight.

⁴ <http://www.melbourne.vic.gov.au/parking-and-transport/transport-planning-projects/Pages/last-kilometre-freight-plan.aspx>

⁵ The Property Council's report *Supercharging the Victorian Economy. Ideas for Reform* discusses congestion charging. It is available from www.propertycouncil.com.au

Congestion also impacts on growth areas. Melbourne's outer suburban growth areas require special attention and consideration.⁶

Social and Affordable Housing

The Property Council recognises that there has been under-provision of social housing and affordable housing for decades, and agrees that Melbourne is experiencing an escalating homelessness crisis.

The Property Council believes the issue needs to be addressed with private and public sector collaboration. We believe when the right funding mechanisms are combined with incentives for the private sector to become involved, there is great potential to increase the supply of social and affordable housing. An example of previous success was the 2009 Nation Building scheme which made delivery of such projects viable.

There are also several policies and programs currently underway in NSW which are well supported by industry. While it is early days for these initiatives, we would encourage the Victorian Government to consider adopting similar approaches – in particular, the Social and Affordable Housing Fund (SAHF) could be transferred to the Victorian context. Established with profits from the first tranche of the electricity transmission network leasing as seed funding, it is intended to deliver access to up to 3,000 additional social and affordable homes in NSW.

The Housing Acceleration Fund similarly makes use of asset sales revenues to invest in essential infrastructure including water, road and electricity infrastructure to facilitate the delivery of new housing supply. Both initiatives have clear links to the NSW Government's infrastructure agenda, and are the result of integrated housing and infrastructure policies.

The Property Council supports the following recommendations as priorities:

7.4.1 Affordable Housing Plan

7.2.1 Public housing refurb/rationalizing

7.3.1 Affordable housing fast track approvals.

The Property Council also endorses recommendations 7.1.1, 7.4.2 and 7.4.3.

The Property Council does not support the use of the planning provisions to increase affordable housing supply (Recommendation 7.3.2). Inclusionary zoning increases overall development costs, which in turn undermines private housing affordability. The supply backlog of affordable housing cannot be met through inclusionary zoning. Instead, the community housing sector needs greater investment and alternate, credible housing funding models need to be

⁶ The Property Council supports the development of comprehensive infrastructure plans for each growth region. This should be managed through the Victorian Planning Authority. More information on infrastructure needs in Growth Areas is available from the Property Council.

developed. Examples from overseas, including the United States of America should be investigated.

5. Additional priorities

Freight

In our response to *All Things Considered*, the Property Council highlighted the need to maintain Victoria's position as the leader in freight and logistics.⁷ While freight volumes are predicted to grow, the Property Council believes that investment in other freight and logistic locations, particularly Sydney, are eroding Victoria's competitive edge. Sydney's ports are now more efficient and making better use of technology and intermodal networks.

Victoria's freight and logistics sector has traditionally been supported by good industrial land supply, and comparatively cheaper land values. This is an economic advantage that is in danger of being eroded if action is not taken.

The Property Council welcomes Infrastructure Victoria's recommendation of Freight Precincts (13.3.1) to support the freight and logistics sectors. As part of this work, it is crucial that a detailed land supply study for a pipeline of appropriately located and zoned industrial land is undertaken. Current policy is often implemented in isolation with little industry consultation. For example, the current locations of employment and industrial land in growth area precinct structure plans often lacks appropriate proximity to infrastructure, services and too often is impacted by residential proximity.

Further, the Western Intermodal Freight Terminal is a priority recommendation (13.3.3). This project must compliment the rail access strategy required by the new operator of the Port of Melbourne (13.3.2).

Tourism

The Property Council notes that there is considerable potential to grow the number of tourists from both interstate and overseas. Yet there are parts of Melbourne which are inadequate for receiving the volume of visitors that are currently experienced, and those projected.

In our response to *All Things Considered* the Property Council highlighted the need to upgrade major train stations such as Caulfield and South Yarra. A third key station, Richmond should be included as a priority as part of recommendation 10.4.6. Not only is Richmond station a major interchange station, it is also a gateway to Melbourne's major sporting precinct and part of a tourist hub. The Property Council considers the implementation of a blueprint for the Richmond Station precinct as urgent.

⁷ Property Council recently submitted to Infrastructure Victoria's discussion paper on the location of a second port. This submission also included information regarding maximising assets around the existing port, and the importance of the freight and logistics sector to the Victorian economy.

Other tourist sites, such as Federation Square East, should also be prioritised to enhance tourist experience and to grow this sector.

Property Council Recommendation 2 (PCR2): Identify key infrastructure opportunities to grow the tourist sector.

6. Funding and financing

The Property Council has previously submitted its policy regarding infrastructure funding and financing. We intend to respond to Infrastructure Victoria's recent Value Capture Policy Paper separately. In determining the best funding options for a project, it is important to understand the current tax and charges burden borne by the property industry. This is particularly important for the Victorian property industry, which currently contributes more than 50 per cent of state revenue (primarily through transfer duties and land tax) and myriad developer charges. While the composition of state funding is out of scope of Infrastructure Victoria's mandate, recommendations relating to alternative funding and financing arrangements must be considered within the context of the current state taxation system.

7. About the Property Council

The Property Council of Australia is the largest and most active advocacy organisation in the property industry. We have 2,200 member companies that represent property assets worth over \$670 billion. Approximately 500 of these members are part of the Victorian Division.

Members of the Property Council represent the entire property investment cycle: finance, design, development, property maintenance and the services that underpin the sector.

The industry is the State's greatest taxpayer and employer. It is the third biggest generator of economic output. It is responsible for \$37.5 billion of direct and indirect economic output.

Through our advocacy the Property Council is committed to the long term economic prosperity of Victoria, which in turn creates jobs and strong, liveable communities.

The Property Council's contribution to infrastructure policy

The Property Council has long advocated for the establishment of Infrastructure Victoria as an important authority to create a long term, state-wide infrastructure strategy outside of election cycles. It is critical to plan for Victoria's future population growth, and shape greater Melbourne and the regions to accommodate such growth.

The Property Council commends Infrastructure Victoria's consultative approach to date, and its commitment to thorough, evidence-based research.

The Property Council a leader in the infrastructure financing debate in Victoria and nation-wide, with a range of publications including:

- Finding \$50B, New ways to fund and finance infrastructure
- 20 Projects, Victoria's Best Infrastructure Sites
- Securing Victoria's Future, a program to plan, fund and deliver infrastructure
- Supercharging the Economy, ideas for reform
- Introducing UK City Deals, a smart approach to supercharging economic growth and productivity.

The above publications are available in the public domain.