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Victorian State-based Reform Inquiry
Victorian Competition and Efficiency Commission
GPO Box 4379
MELBOURNE VICTORIA 3000

Email: reformagenda@vcec.vic.gov.au.

Dear Executive Officer,

Committee for Melbourne has long held the remit of acting as one of the Guardians of brand image Melbourne. Founded 26 years ago, the Committee is an apolitical membership based organisation that looks strategically at issues that impact beyond the short-term electoral cycles.

It is therefore our pleasure to submit a response to the Victorian Competition and Efficiency Commission (VCEC) draft report recommending a reform agenda to Secure Victoria's Future Prosperity and to contribute our ideas towards improving Melbourne's liveability, productivity and competitiveness.

Given the broad nature of our membership, and subsequently the lens through which we view Melbourne, our submission addresses a number of themes for consideration.

Andrew Macleod
Chief Executive Officer
Committee for Melbourne

VCEC Draft Economic Reform Agenda Securing Victoria's Future Prosperity

Submission from Committee for Melbourne

Background

Committee for Melbourne is a not-for-profit, non-partisan, member network that unites Melbourne's leaders and organisations to ensure the city's economic, social and environmental fabrics remain inclusive, progressive and sustainable.

Founded in 1985 by a group of thought leaders, the Committee plays a key role in retaining Melbourne's most liveable city status.

Our members represent over 150 of Melbourne's major companies, academic institutions and civic organisations who discuss key issues affecting Melbourne's appeal. Their expertise, leadership, insight and passion has supported some of our city's best initiatives and is contributing to Melbourne's development and the challenge of ensuring Melbourne gets better as its get bigger.

The organisation draws on the knowledge of its membership to work on improving the liveability and productive capacity of Melbourne.

Melbourne Beyond 5 Million

Melbourne is THE most liveable city in the world today for good reasons:

- Productivity/ease of doing business
- Infrastructure adequacy, that is, utilities, transport, housing mix
- Quality and availability of education provision
- Stability – security and political
- Environment – comparatively clean and green

However, Melbourne’s population growth represents an inherent challenge to the ongoing liveability and productive capacity of the city. Economic reform will be required to protect living standards and Melbourne’s competitiveness. Our approach to planning, infrastructure and transport requirements will need to be reassessed in order to accommodate our forecast growth.

YEAR	MELBOURNE’S ESTIMATED POPULATION GROWTH *
2010	4 million
2020-2025	5 million
2035	6 million
2050	7 million
2060	8 million

Committee for Melbourne estimates that Melbourne’s population will almost double in the next 50 years increasing competition and pressure on Melbourne’s existing asset base. Our current infrastructure was built for a population of 4 million not the 8 million people estimated to be accommodated in Melbourne by 2060. The opportunity, therefore, is to deliver the reform that will not only improve but add the additional infrastructure capacity and the essential supply of goods and services needed for a much larger population.

* Majority of our population growth will come from immigration. Numbers confirmed by the intergenerational report, IG3 Australia to 2050.

Following are the Committee for Melbourne's comments in response to the draft recommendations outlined in the Securing Victoria's Future Prosperity Report:

Further reform of the education system can improve productivity and participation (p.23)

More effective innovation and entrepreneurship will boost productivity (p. 51)

- 10 Enhance links between industry and the research sector, and within industry, by removing impediments to collaboration and providing seed funding to encourage innovation-focused, business driven communities of practice.
- 11 Address information gaps and enhance innovative capacity by establishing an Institute for innovation and attracting and retaining leading early career researchers, development engineers and scientists.

- Our Higher Education needs should be considered in the context of an economic reform agenda not just those of our TAFEs and like organisations.
- Further the Committee believes an overall Innovation and Education strategy is required which addresses the gap in practical education and that the potential of adopting an Innovation Cluster approach similar to the models underpinning Carlton Connect, the Parkville Precinct, Sportswest experience needs to be considered.
- We recommend adopting a high level aspiration to develop Melbourne as the Centre for Excellence in Innovation which will promote Melbourne as a destination of choice for international students, and act as a magnet for the best and brightest.
- The contribution made by overseas students to the Victorian economy is significant. It is Victoria's third most valuable export commodity and despite shrinking by 15% in the last year is worth \$4.8billion. However, aggressive marketing by other countries needs to be matched in Victoria by further reform in our approach to the international student experience including:
 - Extending travel concession tickets to international students. This matter has been raised by many foreign students. Unequal treatment of overseas students undermines their positive impression of Melbourne and reduces their desire to stay in Melbourne after they complete study.
 - Improving the stock of housing / accommodation for students.
 - Embed the Culture Card initiative by providing further funding support and linkage within Government.

Culture Card, a Committee for Melbourne initiative supported by the Victorian Government, provides international students with the opportunity to experience what Victoria has to offer through by providing concessional access to sporting, arts, and many other cultural events. The program is in its second year and has had over 9500 students registered on the website. However, whilst successful this programme requires Government funding and is currently being reviewed by the Victorian Government in relation to its other priorities.

- Finally, innovators and entrepreneurs in Australia lack access to venture capital funds. Government should encourage the participation by superannuation funds into innovative and development funding, perhaps following the US lead of 1-2% of funds under management.

Improve the investment climate by reforming taxation (p. 75)

- 14 Develop and implement an agenda for reforming state taxes by releasing a Green Paper that: outlines options for moving towards more efficient taxes, explains benefits of state taxation reform, and sets out a timetable for state taxation reform.
- Victoria's and Australia's taxation and financial systems favour housing ownership over rental and discourage sales, thereby contributing to inertia in housing markets.. Committee for Melbourne suggests therefore the following interventions:
 - Provide stamp duty relief to assist eligible pensioners to move to accommodation more suited to their needs (e.g. from a house to a townhouse) for those who may find the duty involved to be a significant impediment.
 - Enable more housing rental accommodation through stamp duty changes recognising an increasing trend in housing mobility. As mobility between cities and countries increases, the holding time of property will reduce – this is especially true for the under 30s. The anti-competitive impact of stamp duty will therefore increase as mobility increases and thus needs to be changed to enable a greater role for housing rental.

Improve the investment climate by reforming regulation (p. 85)

- 15 Implement and promote a new regulatory risk policy to guide policy makers and regulators on the balance between individuals' self-managed risks and government mitigated risk through regulation.
- 16 Reform major project approval processes to minimise the number of approval bodies and processes, reform the Environmental Effects Statement process, and streamline approvals for all major public and private projects through a new inter-agency committee.
- 17 Develop a structured process for reviewing the regulatory work in key areas in light of the proposed risk policy in recommendation 15, assess the structure of regulators in light of these priorities and respond to VCEC's previous regulatory framework report.
- Committee for Melbourne agrees with the objective but the opportunity requires a more aggressive and precise style. The Committee therefore recommends a focus not only on reducing regulation but also simplifying it.

Position Melbourne as a high-skill, high-income engine for growth (p. 111)

- 20 Strengthen Melbourne's position as a key State asset by: developing and implementing a long-term strategic planning framework which is supported by the community and enables the city to grow in ways that respond to demands of the market and invest in and use infrastructure efficiently; and identifying and reforming policies that unnecessarily encourage urban sprawl.
- The Committee supports the development of a long term strategic plan for the State that accommodates a growing and aging population, and importantly considers the sort of dwellings households will want to live in and ways to accommodate these aspirations.
 - However, the Committee advocates containing urban development within the established urban growth boundary and improving the mixture of housing stock available by encouraging redevelopment along existing transport corridors and in central activity areas (CAA's).

- 21 Develop a reform agenda for transport that examines ways of improving the efficiency of existing infrastructure through technology and regulation and tests use of demand management responses around key nodes, identifies alternative ways to fund major infrastructure, and re-examines institutional roles to improve accountability and decision making.
- Improving the productivity of Melbourne's infrastructure is essential but developing a pipeline of infrastructure projects over the coming decade will be imperative to avoid an infrastructure deficit. The need for investment in major infrastructure projects to adequately service the needs of a growing population is increasing and will require a systemic approach rather than adjustments or extensions to our present systems. A planned infrastructure pipeline will send a market signal thus enabling the appropriate funds flow, private sector engagement and the necessary investments in resourcing to ensure the efficient and effective delivery of our future infrastructure.
 - The Committee notes Victoria's submission to Infrastructure Australia seeks funding for planning but no capital funding. There is a great need for project development to occur and the Committee has some concern about why we are not already doing this. (Attachment 1)

Infrastructure

- 23 Set a reform agenda for urban water that includes: setting clear objectives for water businesses; unambiguous property rights for alternative water sources, unpooled bulk entitlements, an access regime and more flexible tariff structures; and research and consultation on low-cost water supply augmentation options.
- 24 Review State-based climate change regulations and programs to take account of the price of carbon, and support a national review of the electricity network pricing regulation and the transmission investment framework.
- 25 Conduct a cost-benefit analysis of legislating a default where premises are connected to the NBN unless they choose otherwise.
- A long term visionary plan is required – need for a 20- 50 year view and one based on a system wide vision of all urban infrastructure services not just water. For example, investment in Melbourne's base load power will not keep up with forecast demand and unless additional capacity is added we will be stretched in the years to come. Likewise for peaking power. With a national carbon price imminent, the role of alternate energy sources should be examined, such as gas and renewables as part of the supply solution.
 - A further supply constraint will of course emerge if brown coal-fired electricity generation is phased out, thus adding substantially to the load on our gas supplies. Associated with this, confirmation is required as to the long term sustainability and security of Victoria's natural gas supplies, which are themselves crucial to the future economic prosperity of the State.
 - Further, we suggest improving supply capacity at appropriate price levels to maintain or enhance the quantity and quality of our infrastructure to meet our growing needs.

- Increasing the intensity and density of Melbourne, will require a significant rationalisation of the planning process to enable a Melbourne metropolitan-wide approach to planning. And this will need to be complemented with a new governance structure to co-ordinate and integrate land use and urban services.
- The Committee urges VCEC to further pursue VCEC's interest (as stated in its Draft Report) in the establishment of a Central Planning Authority for Greater Melbourne and a Major Projects Facilitation Office.

Attachment 1

The Cranes are coming down

Herald Sun - Sunday 20th November 2011.

Has anyone else noticed the lack of construction activity around Melbourne and our Provincial Centres? Where is the next Royal Children's Hospital, Casey Hospital, Geelong Bypass or Ballarat Trades Centre? Have you seen the Cranes coming down and not being replaced?

Major Government Infrastructure Projects have a long lead time. Not only do you need to find adequate funding, you also need Feasibility Studies, Expressions of Interest, Tenders Selected and Financial close secured. That's about 2 years before the first sod is turned!

Waiting 12 months to submit the Victorian Government's first Infrastructure Australia application is therefore surprising. No decision will be made by the Federal Government on these proposals until next year at the earliest. Even then it is very unlikely that any substantial funding would be forthcoming given other competitive applications from other States submitted some time ago, including by the newer New South Wales Government.

Much needed Infrastructure Projects don't need to wait until then.

With clearly articulated forward plans the Victorian Government could announce now its own projects and how they would be funded by both the private sector and the Government.

There are precedents for Governments hitting the ground running in their first term.

My Government proceeded with new rail lines to Provincial areas, the new Austin and Repat Hospital, and the Upgrade of Spenser Street Station. The Kennett Government moved on the City Link Tollway and the Cain Government on the new Tennis Centre and the light towers and southern stand of the MCG. Twelve months on and it is hard to work out what the new Victorian Government's priorities are, and how these priorities form part of any plan. As a consequence starting now may mean some projects will only start in 2014, the end of their term of office. In the meantime the cranes are coming down, jobs will be lost and much needed economic & social infrastructure to boost Victoria's productivity will be delayed.

Worse still other States, particularly NSW will be attracting Federal and Private sector funding for definite project commitments instead of Victoria.

There will always be difficulties in committing to major projects including funding, IR and planning issues. But all can be easily overcome. For example the Government could and should commit to a new East/West Toll road linking through a tunnel the end of the Eastern Freeway to the Tullamarine Freeway on one spur and the Port of Melbourne and the Western Ring Road on the other spur. This would be off Budget and funded by the private sector. New more Sustainable Base Load Power Generation plants could also be encouraged, again with no cost to the budget utilizing the new carbon price enabling total private sector funding (rescinding the unusual ban on new Wind Turbines would also help). IR issues can be easily addressed by assigning risk to private sector contractors. Therefore dealing with each project on a case by case basis.

And of course the Government is its own master when it comes to Planning issues.

So let's get on with the task of leading the nation on Infrastructure development. We have done it before, regularly.

We can do it again.

Hon Steve Bracks AC
Former Victorian Premier.
Chairman, Industry Superannuation Fund, Cbus.