

## Committee for Melbourne's response to the Inquiry into Liveability Options in Outer Suburban Melbourne

~~a) Outline recent state planning policies as they relate to private housing;~~

**b) Examine population growth trends and impacts;**

No-one can be certain of the rate of growth Melbourne will experience into the future, but it is inevitable that Melbourne will continue to grow and will certainly reach more than five million people. It is also feasible that the city will surpass eight million people in the late part of this century.

However the issue is not the population number but whether we are ready to respond to the challenges of growth.

Australia's population grew by 1.6% during the previous 12 months ending 30 September 2010. The growth rate has been declining since the peak of 2.1% for the year ending 30 September 2008 and was the lowest growth rate since year ending September 2006. Although Australian Bureau of Statistics (ABS) data indicates the boom in international migration has slowed for Australia as a whole in 2009-10, Melbourne continued to experience high growth at 1.8% and during the 12 months ending June 2010 there was an increase of roughly 79,000<sup>1</sup> people, bringing the total capital city population to an estimated 4.08 million.

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<sup>1</sup> Australian Bureau of Statistics, Regional Population Growth Australia 2009-10, March 2011

Despite Melbourne's forecast of population growth declining from 1.8% in 2009-10 to 1.5% in 2014-15, it is predicted that Melbourne is to have somewhere between 6.1 million and 7.9 million people by 2056 depending on future migration and fertility trends<sup>2</sup>.

As most of Melbourne's new residents are settling in the outer suburbs, this is forcing these areas to grow faster than any other region in Australia. Over the nine years since Melbourne replaced Sydney as Australia's growth centre, roughly 68% of new residents settled more than 20 kilometers from the GPO. Not only are Melbourne's suburban fringes experiencing fast growth, but they are also experiencing the largest growth. In 2009-10, the outer suburb councils of Wyndham, Whittlesea and Casey shared a combined growth of 29,600 people.

While Melbourne is currently enjoying a steady and sustained period of growth that, according to the ABS will continue for years to come, the physical structure of the city and resulting dispersion of its population is affecting its liveability.

Australian cities have long been characterised by low-density development. Not only are our cities populous, but they are typically spread over large areas<sup>3</sup> and this can greatly influence the cultural, social and economic integration of minority groups. While Melbourne is fortunate to have large inner to middle suburbs where accessibility to services and facilities is exceptional, the economics of urban infill and the affordability of housing in these locations have become a challenge. And, even though the inner west still caters to lower income households and provides relatively good service access, this area is being slowly gentrified over time.

Community wellbeing in the outer suburbs is more fragile. Where population growth is significant and incomes are lower, the shortage of easily accessible employment, and the availability and cost of public and private transport, limit opportunity and choice. Left entirely to the free market, this is likely to result in a city where the affluent and privileged have vastly better access to services and facilities than other members of the community.

Melbourne could easily become inequitable if care is not taken to structure the city and its transport and infrastructure networks inclusively. If forced into less well-serviced areas due to a lack of affordable housing options, lower socio-economic communities and migrant

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<sup>2</sup> Australian Bureau of Statistics, Population Projections, September 2008

<sup>3</sup> Jane-Frances Kelly, Grattan Institute, The Cities We Need, June 2010

groups are likely to feel excluded and marginalised. In the extreme, this marginalisation can sometimes contribute significantly to social dislocation.

Government needs to invest in better infrastructure and work to maintain a competitive environment for doing business in the outer areas of the city. Growth in high value jobs, distributed across Melbourne and Victoria, must be a high priority in achieving social equity and enhancing liveability.

Research by the Australian Housing and Urban Research Institute (AHURI) and Victoria University (VU) suggests that Melbourne is actually a stratified city.

AHURI's research<sup>4</sup> demonstrates that there are three critical aspects of location that can affect residents' capabilities and life chances and social inclusion:

- the physical amenity of the neighbourhood which incorporates housing quality;
- neighbourhood social networks; and
- access to services that are available within the residential environment.

According to AHURI location is important to liveability. AHURI examine Melbourne's 'socio-spatial polarisation', a term that refers broadly to the growing gap between rich and poor households in both socio-economic position ('socio') and geographic location ('spatial') and conclude that "during recent decades, the socio-spatial divisions that characterise Australia's major cities have become more pronounced. In other words, not only has the income gap between rich and poor households widened, but this gap has played out spatially in differentiating the urban communities that house the rich and poor."

AHURI's argument is that socio-spatial divides are a matter of public concern. House prices and rent levels play a pivotal role in shaping the socio-economic landscape of the metropolitan area by determining where people can live based on their economic resources.

A summary of key points raised by AHURI in their research are:

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<sup>4</sup> Kath Hulse, Keith Jacobs, Kathy Arthurson and Angela Spinney, Australian Housing and Urban Research Institute, Swinburne-Monash Research Centre, Southern Research Centre, Housing, public policy and social inclusion, September 2010

- Between 1986 and 2006, the numbers of households in the lowest and highest income categories increased, while the numbers of middle-income households declined; and
- Evidence of spatial polarisation can be found in the widening gap in median house prices between Melbourne's highest and lowest cost areas. The gap more than doubled between 1986 and 2006, leading to low income households becoming considerably more restricted in their potential residential location choices.

Recent research conducted by Dr Bruce Rasmussen and Kathleen Hurley<sup>5</sup> from Victoria University's Centre for Economic Studies has confirmed that Melbourne is a geographically divided city with relatively heavy concentrations of professionals who live and work in the inner eastern regions of Melbourne in professional services and finance and relatively heavy concentrations of people who live and work in the outer west, north west and south east in manufacturing and transport and distribution.

Rasmussen's research demonstrates that the 'inner leafy green' suburbs of Melbourne benefit from an income effect, earning almost half of the city's investment income. Among the numerous possible impacts of this is the reduction in the extent of financial stress experienced by residents in these areas and subsequent lack of awareness of financial stress experienced in other less affluent parts of the city.

Rasmussen's research is consistent with global evidence that suggests that over the last couple of decades the size of a city has become linked to its equity. According to the research by Nathaniel Baum-Snow and Ronni Pavan, over the last thirty years there has been a growth in inequity in cities associated to size<sup>6</sup>. There are a number of reasons why this is the case, in particular the potential for a skill premium to be paid to skilled employees located in cities. Bigger cities or metros on average pay higher wages overall, even when skills, education and work effort are taken into account.

There have been a number of other examples of research that explores the socio-spatial divide, most prominently the Vulnerability Assessment for Mortgage, Petroleum and Inflation Risks and Expenses (VAMPIRE) Index, which was developed by researchers at Griffith University in their report titled 'Unsettling Suburbia'.

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<sup>5</sup> Dr Bruce Rasmussen and Kathleen Hurley, Centre for Economic Studies, Victoria University, Impact of the Resources Boom on the Economic Geography of Melbourne, February 2011

<sup>6</sup> Nathaniel Baum-Snow, Brown University & NBER, Ronni Pavan, University of Rochester, Inequality and City Size, October, 2010

The VAMPIRE Index assesses factors such as the degree of car dependence, income level and mortgage levels to assess overall mortgage and oil vulnerability.

The research demonstrates that Melbourne “localities that score the lowest on the VAMPIRE Index are concentrated in close proximity to the Melbourne CBD and extend to the east and north of this area. Areas of highest mortgage and oil vulnerability in Melbourne are concentrated in outer and fringe suburban areas and are distributed around almost the entire perimeter of the metropolitan area. A number of highly vulnerable areas appear to be associated with Melbourne’s outer urban growth corridors. These include the southwest, northwest and north.”<sup>7</sup>

The research notes that areas such Dandenong (City of Greater Dandenong) and Clayton (City of Monash) have large clusters of low mortgage and oil vulnerable households despite their geographic proximity to the Melbourne GPO and this attributes in part to the role the public transport system plays in these areas in contributing to higher mortgage and oil resilience.

In comparison, areas such as Deer Park (City of Brimbank), Beaconsfield (Shire of Cardinia), Roxburgh Park (City of Hume) and Knoxfield (City of Knox) that are characterized as having deficient urban infrastructure and services have less ability to adapt to higher fuel costs by taking public transport.

The changing socio-economic and community characteristics of Melbourne, brought on by significant population growth, will need to be better understood and better integrated into the planning and development of the city. A clear analysis of community characteristics should be used to inform policy to direct resources and infrastructure to places that need particular attention.

Such community assistance and development must be integrated with the land use structure of the city. Planning should become a stronger determinant of our urban form unlike its growth reactionary role in the past as suggested by the Grattan Institute in their 2010 report, *The Cities We Need*<sup>8</sup>.

Because outer suburban growth areas provide an ‘easier build solution’ for the development industry than brownfield and infill development propositions, the outcome is

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<sup>7</sup> Jago Dodson and Neil Sipe, *Suburban shocks: Assessing locational vulnerability to rising household fuel and mortgage interest costs*, Griffith University, 2006

<sup>8</sup> Jane-Frances Kelly, Grattan Institute, *The Cities We Need*, June 2010

jeopardising the future of a compact city agenda and is not translating into better leverage of current investments in public transport infrastructure<sup>9</sup>.

- ~~c) Collate and analyse median house prices in outer suburban areas and measure against income and cost of living data;~~
- ~~d) Identify the provision of medical/health and support services in outer suburban areas;~~
- ~~e) Classify national and international 'best practice' in urban renewal as it relates to established outer suburbs;~~
- ~~f) Recommend options for enhanced liveability of residents~~

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<sup>9</sup> Urbis for Property Council of Australia, Delivering on Melbourne's Population Plan, November 2010