

20 October 2022

Victoria State Election 2022

Introduction

Victorians will head to the polls on 26 November to elect members to the Victorian Parliament.

Much has happened since the 2018 state election. Some of the worst bushfires in the country's history ravaged parts of Victoria over the summer of 2019-20, causing widespread devastation and bringing into stark relief the impact of climate change.

It is also the first state election held since the COVID-19 pandemic. Victoria was particularly impacted with extended lockdown periods and border closures, triggering social and economic consequences.

Addressing the challenges associated with global warming and climate change, as well as the ongoing health and economic consequences of the pandemic, will be of prime importance for the next Victorian Government. But there are other challenges that are important for Melbourne's future.

In February, Committee for Melbourne (the Committee) launched its inaugural *Benchmarking Melbourne* report, which compares Melbourne's performance against 19 global peer cities and offers data-driven insights and analysis of where policy focus is necessary.

Melbourne's performance was benchmarked against three pillars that make up a city's performance: Liveability & Urban Optimisation; Future Economy; and Infrastructure & Sustainability.

The report indicates that Melbourne has much to be proud of including a rich arts and culture environment as well as strong research and skills foundations. There are also challenges that we must confront. With many areas requiring attention and a plethora of opportunities for policy action, this paper touches on just some of those that our members believe should be prioritised.

The Committee's calls to the incoming Victorian Government to focus its attention on policy areas including:

A. Infrastructure & Sustainability	
Transport network pricing reform	Recommendation 1: Consider transport network pricing options such as restructuring public transport fares and road-user charging to shape travel patterns and optimise existing asset use.
Bus reform	Recommendation 2: Conduct a process of bus reform that ensures greater end-to-end transport connectivity across Greater Melbourne, including a review of bus routes and adding more frequent, direct, green and low-cost bus services and a consumer awareness campaign.
Social and Affordable Housing	Recommendation 3: Implement a broad-based levy to sustainably fund social and affordable housing (in perpetuity), with appropriate governance arrangements for its management and distribution. Recommendation 4: Set appropriate long-term housing targets (with clear jurisdictional outcomes) across a range of housing types, including affordable key worker housing. Recommendation 5: Lobby across the country to form a national housing symposium to determine how the business, not-for-profit and public sectors can work together to solve the problem.
Melbourne Airport Rail (MAR)	Recommendation 6: Ensure that MAR development is coordinated across all sectors, and future proofed, so that optimal economic and social outcomes can be achieved.
Energy & Sustainability	Recommendation 7: Continue to provide clear timelines and plans for a future without natural gas. Recommendation 8: Ensure policy settings encourage consumer uptake of ZEVs, maximises public usage of ZEVs and that the infrastructure to support this is available.

B. Future Economy	
International education	Recommendation 9: Implement policies that increase the opportunities for international students to access meaningful work in Melbourne.
	Recommendation 10: Advocate to the Federal Government to extend the length of Post-Study Work Visas and to consider simpler pathways to permanent residency and citizenship.
Commercialisation	Recommendation 11: Implement policies that will assist greater investment and commercialisation activity, including the development of a greater skills capability.
C. Liveability & Urban Optimisation	
CBD revitalisation	Recommendation 12: Host a summit involving all stakeholders to discuss CBD revitalisation and its integration with Greater Melbourne.
Experience economy	Recommendation 13: Establish an industry stakeholder group, which reports directly to the Victorian Treasurer, to develop an effective and permanent engagement model for the Greater Melbourne experience economy.

A. INFRASTRUCTURE & SUSTAINABILITY

Transport network pricing reform

Melbourne's transport network congestion and overcrowding causes many problems, with longer waiting periods for commuters, more air and noise pollution, and slower freight delivery. Implementing a pricing regime that incentivises commuters to shift their travel time and mode could help alleviate these problems, as well as help achieve optimum value-for-money for infrastructure investment.

The Committee's *Benchmarking Melbourne 2022* report noted that there is an opportunity to improve in uptake of public and sustainable transport options. Melbourne ranks last among eight peers for sustainable commuting mode share, with only 27% of journeys to work by public or active transport in 2020 (compared to an average of 49% among peer cities¹). For reported resident usage of public transport across all trips, Melbourne ranks 33rd among 48 top global cities.

There has already been significant work and modelling to help with solutions to getting people onto public transport. Infrastructure Victoria modelling suggests 168,000 car trips could be taken off the road network every day with transport network pricing reform, while Grattan Institute recommends the Victorian Government investigate a "cordon" scheme congestion charge for Melbourne that encompasses key arterials in inner suburbs as well as the CBD.

Recommendation 1: Consider transport network pricing options such as re-structuring public transport fares and road-user charging to shape travel patterns and optimise existing asset use.

Bus reform

Road congestion presents multiple challenges for Melbourne. It increases carbon emissions and air pollution – damaging public health and the environment. It also raises business costs and reduces productivity. While various policies and investments are needed to reduce traffic congestion, reforming the city's bus network is a relatively low-cost and manageable initiative that could have an outsized impact.

The Committee's *Benchmarking Melbourne 2022* report noted that only 22% of Melburnians have access to high-capacity public transport, while Infrastructure Victoria in *Victoria's Infrastructure Strategy 2021 – 2051* estimates that 70% of bus routes run at below a third of their capacity during the morning peak.

Recommendation 2: Conduct a process of bus reform that ensures greater end-to-end transport connectivity across Greater Melbourne, including a review of bus routes and adding more frequent, direct, green and low-cost bus services and a consumer awareness campaign.

¹ Among those peer cities for which data is available

Social and Affordable Housing

There is a crisis facing Melbourne's residential property market, with limited supply and surging demand of home and rental properties driving up prices. The implications are far-reaching with low-income individuals and families struggling to meet their day-to-day needs, homelessness is increasing and, in some cases, business owners are unable to attract staff in proximity due to a shortfall in housing stock. Failure to ensure enough affordable housing will weigh heavily on Melbourne's capacity to attract and retain talent.

The Committee's *Benchmarking Melbourne* 2022 report shows that house prices have skyrocketed and now Melbourne is the sixth most expensive housing market in the world. At the same time COVID-19 has devastated many people's job and financial security pushing them further into risk of homelessness.

In the Committee's submission to the Victorian Government's development of a 10-yr social and affordable housing strategy, *Delivering Affordable Housing*, the committee made a number of recommendations including the need for community awareness campaigns, data collection, target setting and development of policies that will increase the supply of much needed housing such as an affordable housing levy (with appropriate governance mechanisms). The Committee has raised the possibility of a broad-based levy for attention, given the immediate need to generate significant and ongoing funding to deliver affordable housing at scale. Of course, the Victorian Government's commitment to the *Big Housing Build*, is a welcome step. But that investment does not come close to delivering the estimated hundreds of thousands of social and affordable homes that are needed.

The Committee has also supported the study, *Give Me Shelter*, compiled for Housing All Australians, by SGS Economics and Planning. The report shows that there is a significant cost to Australian taxpayers of underinvestment in social and affordable housing. The report shows that **costs to taxpayers will reach \$25 billion annually by 2051** (in 2021 dollars) if nothing is done to address this chronic shortage of affordable, public and social housing in Australia, but that the benefits of investment are significant. With a **benefit-cost ratio of 2:1 for investment in social and affordable housing**, this is greater than the benefit-cost ratios used to justify many current Australian infrastructure projects.

There are many solutions to the problem, and they must come from a collective effort across government, business and the community. Therefore, it will need action from business as well. Businesses can stand to benefit from thinking about the housing solutions, especially at a time where there is a huge skills shortage across the country in most sectors of the economy. Therefore, it is time to bring Australian business and stakeholders together for a national conversation on the importance of investing in social and affordable housing.

Recommendation 3: Implement a broad-based levy to sustainably fund social and affordable housing (in perpetuity), with appropriate governance arrangements for its management and distribution.

Recommendation 4: Set appropriate long-term housing targets (with clear jurisdictional outcomes) across a range of housing types, including affordable key worker housing.

Recommendation 5: Lobby across the country to form a national housing symposium to determine how the business, not-for-profit and public sectors can work together to solve the problem

Melbourne Airport Rail

Melbourne Airport Rail (MAR) will alter movement patterns of people accessing the Tullamarine Airport, Melbourne and the regions. Ensuring a seamless journey would leave a positive impression on visitors and should be prioritised. Key policy and planning issues are still to be resolved, including how freight plans will be accommodated, ensuring the airport terminal optimises customer experience, Sunshine development and economic development plans are coordinated, the visitor economy experience is fully considered and Sunshine station rail gauge options are fully optimised.

Recommendation 6: Ensure that MAR development is coordinated across all sectors, and future proofed, so that optimal economic and social outcomes can be achieved.

Energy & Sustainability

With Victoria heavily reliant on natural gas to sustain economic and social wellbeing, decarbonising the state's gas sector will be paramount to achieving net zero emissions by 2050. Various policies and programs are needed to reduce energy demand and natural gas use.

Infrastructure Victoria's *Towards 2050: Gas infrastructure in a net zero emissions economy* report offered 11 recommendations to decarbonise Victoria's gas sector. Policies and programs that encourage energy efficiency will be vital in each decade to mid-century.

Recommendation 7: Continue to provide clear timelines and plans for a future without natural gas.

Zero emission vehicles (ZEVs) are expected to replace high-polluting combustion engine vehicles over the coming decades in Victoria. ZEVs release zero, or nearly zero, greenhouse gas emissions and will play a crucial role in reducing the state's carbon emissions.

Melburnians have been slow to embrace ZEVs. The Committee's *Benchmarking Melbourne 2022* report notes that Melbourne ranks outside the top 25 cities globally for Electric Vehicle (EV) sales, ranks 14th among 19 peers for its density of EV charging points and 8th among 13 peers for EV uptake and transport-related emissions.

Recommendation 8: Ensure policy settings encourage consumer uptake of ZEVs, maximises public usage of ZEVs and that the infrastructure to support this is available.

B. FUTURE ECONOMY

International education

Melbourne's reputation as an attractive international student destination may have been tarnished during the COVID-19 pandemic due to the strict and long intermittent lockdown period. Rebuilding that reputation will require a step-change in our international student offering. Importantly, policy settings that both attract and *retain* international students will be important, especially in the context of the skills shortage being faced across all sectors of the economy.

Immigration policies that target growth in specific sectors could be considered. In the Committee's *Benchmarking Melbourne 2022* report, Melbourne ranked 15 of 18 peers for the proportion of the population employed in technology intensive industries and 14 of 17 peers for the share of home-grown tech-enabled companies that are in science and engineering industries. Policies that help retain foreign students that excel in these areas is essential.

Recommendation 9: Implement policies that increase opportunities for international students to access meaningful work in Melbourne.

Recommendation 10: Advocate to the Federal Government to extend the length of Post-Study Work Visas and to consider simpler pathways to permanent residency and citizenship.

Commercialisation

Melbourne has significant research strengths but struggles to convert that knowledge into commercial outcomes at scale. This needs to change. The ability of local companies to commercialise new research and technologies is essential to modernise industry, create high-value jobs, foster economic growth and improve living standards.

The *Benchmarking Melbourne 2022* report ranks Melbourne 14th out of 20 global peer cities for leading edge innovation, reflecting that there are opportunities for Melbourne to learn from its peers about commercialisation and investment in innovation. The report highlights that Melbourne's strengths include its fast-growing ecosystem, its start-ups' potential to scale up (as illustrated by our biotech ecosystem), and the quality and reputation of its knowledge and research assets. But it shows that Melbourne ranks 42 out of 75 global cities for the availability of venture capital.

Opportunities for Melbourne to improve include:

- attracting venture capital to spur scaling of start-ups and to grow the technology and innovation sectors including biotech industry;
- growing more globally recognised specialisms and gaining visibility for its strengths;
- the productivity of its knowledge assets and translation of ideas into patents and products, and;
- digital and tech uptake of businesses.

Recommendation 11: Implement policies that will assist greater investment and commercialisation activity, including the development of a greater skills capability.

C. LIVEABILITY & URBAN OPTIMISATION

CBD revitalisation (in the context of Greater Melbourne)

Melbourne's Central Business District (CBD) has been hard hit by the pandemic-induced lockdown experience. Critical economic sectors are recovering, as is Melbourne's reputation as an open, highly liveable city. Long-term revitalisation efforts need to enhance economic, social, cultural and environmental benefits for Melbourne, its diverse communities and visitors.

The *Benchmarking Melbourne 2022* report highlights that people across Greater Melbourne may be experiencing a 'Tale of Two Cities'. There is some concern about whether all Melburnians are participating in the wonderful offerings that Melbourne provides and whether there is an integrated plan for supporting the experience economy across Greater Melbourne.

Therefore, the ability to improve participation across the city as well as initiatives to democratise the participation of people in the offerings of the CBD (such as green spaces and public events), are very welcome.

Recommendation 12: Host a summit involving all stakeholders to discuss CBD revitalisation and its integration with Greater Melbourne.

Experience economy

Melbourne's tourism sector has been decimated by the COVID-19 pandemic. The sector contributed \$32.5 billion to the Victorian economy at the end of 2019. By the end of 2021, it generated \$10.6 billion – dropping over \$20 billion. Strong policy action and programs are needed to support the sector as it rebuilds.

The *Benchmarking Melbourne* report rates Melbourne 3rd out of 20 peer cities for its experience economy offerings – which reflects Melbourne's incredibly strong fundamentals in sporting, arts & culture, events and experiences across Melbourne. These fundamentals need to be continually supported, because of the significance they have for attraction and retention of people to visit and live in Melbourne. However, without a similar organising agency like the Regional Tourism Boards for Greater Melbourne, there remains an opportunity to develop a formal engagement model for the whole metropolitan area.

Recommendation 13: Establish an industry stakeholder group, which reports directly to the Victorian Treasurer, to develop an effective and permanent engagement model for the Greater Melbourne experience economy.

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