

State Government Budget 2023-2024

Infrastructure

Committee for Melbourne (Committee) believes a comprehensive evaluation of Victoria's major infrastructure projects is needed, with the potential reprioritisation of infrastructure spending based on anticipated productivity gains.

The project spending program, worth approximately \$90 billion over the next four years, is equivalent to 23 per cent of total general government expenditure; higher than the long-term average.

With labour and material shortages leading to increased overall costs, infrastructure and the sequencing of it may need to be considered as outlined by Infrastructure Australia.

In the current environment of compounding economic headwinds, including rising public debt, rising interest rates, inflation and an economy-wide skills shortage, the most productive use of taxpayer dollars should be considered. This includes consideration for further investment in social housing, digital and health infrastructure.

The Committee called for the establishment of Infrastructure Victoria and is supportive of its work, along with that of Infrastructure Australia. We believe governments should heed the advice of these statutory bodies to ensure that taxpayer funds are being allocated to the most productive projects.

Recommendation 1: Review all major infrastructure projects to determine the most appropriate projects to proceed with.

Recommendation 2: Over the medium to long-term, deliver major infrastructure projects that are included in an integrated transport plan that meets the requirements of the Victorian *Transport Integration Act 2010*.

Recommendation 3: Prioritise major infrastructure projects in Victoria that are supported by Infrastructure Victoria and / or Infrastructure Australia.

Transport

Transport network pricing

The Committee encourages the Victorian Government to review Melbourne's transport network pricing structure and consider policies that will make the transport network more efficient, safe and fair.

With the network often experiencing congestion and overcrowding, it can increase stress for commuters, slow down freight transport, decrease productivity and increase noise and air pollution. Melbourne already has a rising population of workers with a longer than 30 minute commute to work so a pricing regime that incentivises commuters to rethink their travel time and mode could help alleviate these problems and optimise infrastructure investment.

According to the Committee's [Benchmarking Melbourne 2022](#) report, there is an opportunity to better utilise public and sustainable transport modes. Melbourne ranks last among eight peers for sustainable commuting mode share, with only 27 per cent of journeys to work by public or active transport in 2020, compared to a 49 per cent average among peer cities.

Infrastructure Victoria's modelling suggests 168,000 car trips could be taken off the road network every day with pricing reform, while Grattan Institute recommends the government investigate a "cordon" scheme road-user congestion charge for Melbourne.

Recommendation 4: Investigate transport network pricing options to shape travel patterns and optimise network use.

Bus network

The Committee encourages the Victorian Government to reform Melbourne's bus network to deliver more frequent, direct, *green* and low-cost bus services.

Road congestion increases carbon emissions and air pollution, damages public health and the environment, raises business costs and reduces productivity. With policies and investments needed to reduce traffic congestion in Melbourne, reforming the bus network could be a relatively low-cost, manageable initiative that has outsize impact.

The *Benchmarking Melbourne 2022* report noted that only 22 per cent of Melburnians have access to high-capacity public transport, while Infrastructure Victoria's discussion paper, [Fair Move: Better Public Transport Fares for Melbourne](#), estimates that 70 per cent of metropolitan bus routes run at below a third of their capacity during the morning peak. The Committee is undertaking some policy work on metropolitan bus reform and will release its work later in 2023.

Recommendation 5: Reform the metropolitan bus network to deliver more frequent, direct, green and low-cost bus services.

Melbourne Airport Rail

The Committee encourages the Victorian Government to ensure the Melbourne Airport Rail (MAR) project delivers a safe, efficient and seamless gateway experience for all people accessing Melbourne Airport and is leveraged effectively to maximise strategic and economic value.

The Committee has been a strong advocate for the MAR project but highlights that there are key policy and planning issues that require further consideration as part of the project design. They include the need for a seamless gateway experience, easy access for north-eastern rail passengers, ensuring the project does not inhibit freight movements with the removal of the Sunshine broad gauge crossover tracks, as well as the need to leverage the project to maximise Sunshine's potential.

Recommendation 6: Create a seamless gateway experience, including constructing an underground station at Melbourne Airport.

Recommendation 7: Arrange immediate consultation with Victoria's freight and logistics industry to find a mutually positive solution for the MAR project and the industry.

Recommendation 8: Create a formal and transparent strategic cross-departmental coordination process for Sunshine, with clear mechanisms for community input.

Skills

The Committee encourages the Victorian Government to prioritise skills development to support Melbourne's economy.

Industries across Melbourne are facing significant labour shortages. According to the *Victorian Skills Plan for 2022 into 2023* report, Melbourne needs approximately 290,400 additional workers by 2025 and Victoria collectively requires approximately 373,000 workers. Demand is most acute in the construction, health and aged care, services, teaching, financial services and IT sectors.

While a multi-faceted skills and education response is needed, other factors require consideration, including the housing affordability crisis. Some business owners are unable to attract staff due to a shortfall in housing stock with low wages in some industries is also a determining factor.

Technological development is changing employers' needs and the expectations of jobs and employees of the future. Education and training systems will need to equip students with necessary technological skills. Policies that ease the transition between education institutions could be considered.

Recommendation 9: Incentivise prospective students to study coursework that helps build workforce capacity in identified growth industries.

Energy

The Committee encourages the Victorian Government to outline a clear plan to decarbonise the natural gas sector and to continue to invest in policies and infrastructure needed to support greater uptake of zero emissions vehicles.

With Victoria reliant on natural gas to sustain economic and social wellbeing, decarbonising the gas sector will be needed to achieve net zero emissions by 2050.

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.

Zero emission vehicles (ZEVs) are expected to replace combustion engine vehicles over coming decades, with widespread uptake to help reduce Victoria's carbon emissions. Some 87% of Melbournians own a car but EV uptake has been slow. *Benchmarking Melbourne 2022* notes that Melbourne ranks outside the top 25 cities globally for Electric Vehicle (EV) sales.

Recommendation 10: Develop clear and ambitious plans to decarbonise Victoria's gas sector.

Recommendation 11: Invest in policies, programs and infrastructure that support private uptake of zero emission vehicles.

Housing

The Committee encourages the Victorian Government to continue to address the residential housing crisis facing Melbourne and Victoria.

Limited supply and surging demand of home and rental properties is driving up prices. *Benchmarking Melbourne 2022* indicates that Melbourne is the sixth most expensive housing market in the English-speaking world.

The implications are far-reaching with homelessness increasing and low-income individuals and families struggling to meet their day-to-day needs. It is impacting Melburnians' spending capacity, businesses' capacity to attract workers and Melbourne's capacity to attract and retain talent.

The Committee's submission to the government's 10-year social and affordable housing strategy made various recommendations, including the need for data collection, target setting and policies to increase housing supply.

The Committee has called for a levy to generate significant and ongoing funding to deliver affordable housing at scale. The government's commitment to the *Big Housing Build* is a welcome initiative but delivering thousands more social and affordable homes is required.

The *Give Me Shelter* report, compiled for Housing All Australians and supported by the Committee, concludes that taxpayer costs will reach \$25 billion annually by 2051 (2021 dollars) if the shortage of affordable, public and social housing is not adequately addressed. It also shows that every dollar invested by the Australian community in social and affordable housing delivers two dollars in benefits.

Recommendation 12: Investigate the opportunities to implement a levy to fund social and affordable housing (in perpetuity), with appropriate governance arrangements for its management and distribution.

Recommendation 13: Set appropriate long-term housing targets (with clear jurisdictional outcomes) across housing types, including affordable key worker housing.

Recommendation 14: Call for a national housing symposium to determine how the business, not-for-profit and public sectors can collaborate to address the housing crisis.

Freight

The Committee encourages the Victorian Government to invest in freight infrastructure and deliver regulatory reform to help improve the safety, efficiency and reliability of the freight sector.

Melbourne's trade-exposed economy relies on efficient, low-cost freight transport. It supports local businesses and producers, fosters job creation, enhances productivity and helps ensure goods are delivered on time.

Delivering the Western Interstate Freight Terminal (WIFT) has become urgent. Designed to support the western Melbourne freight and logistics area, WIFT should connect with Inland Rail and have direct rail connection to the Port of Melbourne to allow the operation of Port Rail Shuttles. Planning for and safeguarding appropriate additional terminals is also essential, including outlining the business cases for the Beveridge Interstate Freight Terminal and the recently announced Somerton Intermodal Terminal. A transparent decision-making process for additional terminals should be undertaken concurrently with WIFT's construction.

With the freight and logistics sector workforce aging twice as quickly as the national average, at a time of industry growth and digitisation, the shortage of skilled workers is an acute challenge facing the industry. Policies are needed to encourage people into the sector, who have the skills to support its growth.

Recommendation 15: In collaboration with the Federal Government, deliver the Western Interstate Freight Terminal and concurrently plan for and safeguard appropriately positioned additional terminals, including the Beveridge Interstate Freight Terminal.

Recommendation 16: Develop a plan for increasing the number of skilled workers entering the freight and logistics sector.

Fishermans Bend

The Committee encourages the Victorian Government to invest in transport infrastructure in the Fishermans Bend precinct to improve mobility and fast-track economic development.

As Australia's largest urban renewal precinct covering 480 hectares on the edge of Melbourne's CBD, there is a unique opportunity to transform Fishermans Bend into a thriving, connected, environmentally sustainable and liveable precinct that is home to advanced industries.

While progress is being made, it is proving slow-moving. Investing in high-frequency public transport options could be the catalyst to improve mobility and therefore stimulate investment and economic growth. Extending tram lines to the precinct would help ease traffic congestion, while planning for development of a metro station, to be incorporated into a future underground line (Melbourne Metro Two), would improve mobility over the medium to long term, and spur private investment.

As Fishermans Bend undergoes its renewal, governments and stakeholders need to plan for the demands placed on the Port of Melbourne. As Australia's largest general cargo and container port, it requires investment and regulatory support to ensure its efficient operation.

Recommendation 17: Invest in the tram network to Fishermans Bend, with consideration of extending the route 11 and 48 tram lines across the Yarra River and down Turner Street by 2026.

Recommendation 18: Investigate a potential metro station location within the Fishermans Bend precinct and plan the Melbourne Metro Two link.

Recommendation 19: Invest in the Webb Dock Freight Link at the Port of Melbourne.

International education

The Committee encourages the Victorian Government to help rebuild Melbourne's reputation as an attractive international student destination through policies that improve the student experience.

Long, intermittent lockdown periods during the COVID-19 pandemic compromised Melbourne's attractiveness as an international student destination. While many international students, particularly from China, are expected to return *en masse* to complete their degrees, ensuring Melbourne's competitiveness and enduring appeal over the long-term will be a challenge.

Melbourne cannot afford to be comparatively more expensive than competitor cities. Measures that help reduce living costs could be considered. With rental prices soaring, ensuring there is enough dedicated student accommodation and rental stock is needed, while transportation discounts for international students could also be considered.

The Federal Government's decision to remove restrictions on the number of hours international students can work during their studies will help students better support themselves financially, as well as support the economy. However, regulatory and legal frameworks are needed to protect the health, wellbeing and interests of international students in the workplace.

The Committee's [Melbourne International Student Week](#) was held for the first time in May 2022. Designed to bring together local and international students studying in Melbourne, it showcased the city's cultural offerings and services that make Melbourne a special place to study. Continued government support is needed to deliver the event annually as we continue to bring new overseas students back to Melbourne.

Recommendation 20: Implement policies that reduce the cost of living for international students.

Recommendation 21: Continue to offer free and confidential legal advice to international students on employment matters.

Recommendation 22: Provide appropriate funding support for the Melbourne International Student Week.

CBD revitalisation (in the context of Greater Melbourne)

The Committee encourages the Victorian Government to continue to support the revitalisation of Melbourne's CBD and its surrounds, and ensure that all Melburnians can access its diverse offerings.

Economic and social activity in the CBD reduced considerably because of the pandemic-induced lockdown periods. While there are positive signs of recovery, long-term revitalisation measures need to consider economic, social, cultural and environmental goals.

With abundant transport, building, social and entertainment infrastructure, Melbourne's CBD and surrounds should remain a vibrant place for people to live, work and play. But adaptation is needed. Creating the regulatory environment that helps optimise underutilised infrastructure could be considered, along with measures to create new green spaces.

The *Benchmarking Melbourne 2022* report highlights that Greater Melbourne is a *tale of two cities*, characterised by unequal access to public transport, green spaces and amenity, including cultural activities and sporting events. Measures that improve access to, and participation in, all Melbourne's offerings, particularly for Melburnians living on the urban fringe, should be considered.

Recommendation 23: Host a summit involving all stakeholders to discuss CBD revitalisation and its integration with Greater Melbourne.

Experience Economy

The Committee encourages the Victorian Government to continue supporting Melbourne's experience economy as it recovers from the COVID-19 pandemic.

Melbourne's experience economy was 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 – declining by over \$20 billion. While the pace of recovery has been encouraging, government support is needed for Melbourne to achieve pre-pandemic performance levels.

The *Benchmarking Melbourne 2022* report ranks Melbourne third of 20 peer cities for its experience economy, reflecting the city's strength in delivering sporting, artistic and cultural events and activities. Continued investment and policy support for the sector will help ensure Melbourne remains an attractive destination to visit, reside and invest, and ensure the sector is a key driver of future growth.

Tourism helps drive Melbourne's experience economy, but Greater Melbourne's tourism sector does not have an organising agency like the Regional Tourism Boards that operate throughout Victoria. Developing a formal engagement model for the metropolitan region, which can work with government to drive performance beyond pre-pandemic levels of visitation and spend, could be considered.

Recommendation 24: Establish an industry stakeholder group, which reports directly to the Victorian Treasurer, to develop an effective and permanent engagement model for Greater Melbourne's experience economy.

Recommendation 25: Build a modern Visitor Centre at Federation Square.

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