LEGISLATIVE COUNCIL

STANDING COMMITTEE ON
FINANCE AND PUBLIC ADMINISTRATION

6th Report to the Legislative Council

INQUIRY INTO DEPARTMENTAL AND AGENCY
PERFORMANCE AND OPERATIONS

REPORT ON GROWTH AREAS AUTHORITY

MARCH 2010
LEGISLATIVE COUNCIL
STANDING COMMITTEE ON
FINANCE AND PUBLIC ADMINISTRATION

INQUIRY INTO DEPARTMENTAL AND AGENCY
PERFORMANCE AND OPERATIONS

REPORT ON GROWTH AREAS AUTHORITY’S
PERFORMANCE AND OPERATIONS

MARCH 2010

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No. 287 Session 2006-10
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STANDING COMMITTEE ON FINANCE AND PUBLIC ADMINISTRATION

Committee Members

Mr Gordon Rich-Phillips – Chairman
Member for South Eastern Metropolitan Region

Mr Matthew Viney – Deputy Chairman
Member for Eastern Victoria Region

Mr Greg Barber
Member for Northern Metropolitan Region

Ms Candy Broad
Member for Northern Victoria Region

Mr Peter Hall
Member for Eastern Victoria Region

Mr Matthew Guy
Member for Northern Metropolitan Region

Mr Peter Kavanagh
Member for Western Victoria Region

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ESTABLISHMENT OF THE STANDING COMMITTEE

On 21 November 2007, the Legislative Council resolved to appoint a Standing Committee on Finance and Public Administration with a Membership of seven Members. The Council’s resolution came into operation on 1 April 2008 and the Committee’s inaugural meeting was convened on 7 April 2008.

In accordance with the establishing resolution, the following Members were appointed to the Committee:

- Mr Greg Barber - Australian Greens,
- Ms Candy Broad - Australian Labor Party,
- Mr Peter Hall – Nationals,
- Mr Matthew Guy - Liberal Party,
- Mr Peter Kavanagh - Democratic Labor Party,
- Mr Gordon Rich-Phillips - Liberal Party, and
- Mr Matthew Viney - Australian Labor Party.

At its inaugural meeting the Committee elected Mr Rich-Phillips as Chairman, and Mr Viney as Deputy Chairman.

The establishing resolution provides the Committee with a wide range of powers. Some key features of the Standing Committee include:

- The Standing Committee exists until the Parliament is either prorogued or dissolved.
- Members of the Committee may be substituted by another Member from the same political party.
- The Committee has the power to inquire into any matter or thing relevant to its functions, which is either referred to it by resolution of the Legislative Council, or determined by the Committee.
- The power to appoint sub-committees to inquire into matters.
1. Inquiry Background

1. Pursuant to Legislative Council Sessional Order No. 22, the Standing Committee on Finance and Public Administration may inquire into any proposal, matter or thing that is relevant to its functions which is referred to it by resolution of the Council or determined by the Committee.

2. On 28 October 2008, the Committee resolved to inquire into and report on Victorian departmental and agency performance and operations for the previous financial year. The Committee subsequently agreed to modify its terms of reference to the extent that any investigations would not be limited to a particular financial year.

3. On 24 February 2009, the Committee resolved to invite the Growth Areas Authority (‘the Authority’) to give evidence at a public hearing with respect to the agency’s performance and operations for the 2007-08 financial year. This hearing took place on 23 April 2009 during which a number of questions were taken on notice by the Authority.

4. The Committee subsequently followed up some outstanding matters and resolved to invite the Authority back for a further public hearing on 7 September 2009. The Committee also invited the Minister for Planning to a hearing on 2 December 2009 to discuss outstanding matters, including the proposed Growth Areas Infrastructure Contribution levy.

5. The following report outlines matters raised in public hearings including questions taken on notice and written responses from the Growth Areas Authority and the Minister for Planning.
2. **Role of Growth Areas Authority**

6. The Growth Areas Authority was established in 2006 as an independent statutory body consisting of six board members as part of the Victorian Government’s plan for outer urban development.

7. The Authority aims to create well-designed neighbourhoods and plays a role in improve planning and infrastructure coordination in five growth areas:

   - Casey-Cardinia,
   - Hume,
   - Melton-Caroline Springs,
   - Whittlesea, and
   - Wyndham.

8. The Authority’s objectives include ensuring development and infrastructure occur in a coordinated and timely manner, promoting sustainable development, housing diversity and affordability and jobs in growth areas, and improving the regulatory and administrative process to reduce cost inefficiencies for developers and local government.

9. Of particular interest to the Committee was the Authority’s role in proposed changes to the Urban Growth Boundary and the proposed introduction of a $95,000 Growth Areas Infrastructure Contribution levy.

3. **Public Hearings**

3.1 **First Hearing: 23 April 2009**

10. On 23 April 2009, the Committee received evidence from the following Growth Areas Authority representatives:

    - Mr Chris Banks - Chairman
Mr Peter Seamer – Chief Executive Officer

3.1.1 Key matters raised in 23 April hearing

11. The following issues were discussed during the initial public hearing:

- various matters relating to the Growth Areas Infrastructure Contribution (GAIC) levy, the potential liability to land holders, liability estimates considered by the Growth Areas Authority, and developments that may be delayed as a result of the levy;
- timeframe and process required to complete a Precinct Structure Plan and extent of new developments that have occurred since completion of each PSP;
- impact of the nine completed structure plans on supply and demand of zoned residential land and housing affordability, and the extent to which the PSPs are on target to meet the Government’s housing and community services objectives;
- the availability of land within the current urban growth boundary and the new Urban Growth Zones (UGZ) to accommodate projected population growth;
- the length of times taken for a PSP to be completed and for land to be available for housing;
- justification for the stated claim that the streamlined UGZ planning reforms will produce estimated savings of up to $10,000 per lot for homebuyers in the growth areas;
- the status of the 90,000 lots that were proposed to be released by the UGZ;
- progress of the best practice demonstration project within the Cranbourne East Precinct Structure Plan; and
- extent to which the experience of the February 2009 bushfires will impact upon future urban growth planning.

3.1.2 Documents tabled at 23 April hearing

12. The Authority provided an opening presentation at the public hearing. A copy of the slide presentation is provided in Appendix 1.
3.1.3 Questions taken on notice at 23 April hearing

13. The following questions were taken on notice by the Authority at the public hearing (See Transcript of Evidence – Appendix 2):

- details of the process and timeframe for completion of the Precinct Structure Plans for Cranbourne North, Epping North East and Tarneit West; together with information on developments since each Plan was completed;

- copy of material prepared for the Government outlining how streamlining planning reforms could achieve potential savings of $10,000 per lot for homebuyers in the growth areas;

- advice on the number of lots that have been released to date as part of the new Urban Growth Zone;

- details of the number of projected dwellings in Melbourne for the last 20 years;

- the total number of dwellings that could be built on existing zoned land;

- the distribution of zoned land amongst the top five development firms;

- details of the gross and net residential density figures, hectares of commercial industrial land and employment estimates in relation to each completed or exhibited Precinct Structure Plan;

- copies of reports in relation to native vegetation and environmental values surveys;

- details of estimates considered by the Authority with respect to the potential liability to land holders as a result of the Growth Areas Infrastructure Contribution (GAIC) levy;

- advise whether any fact sheets were included with letters to land-holders in relation to the GAIC levy; and

- copy of the material produced in relation to the impact of the new GAIC levy on housing affordability.

14. The Authority’s initial response to questions taken on notice was received 29 May 2009 and is provided in Appendix 3.

15. The Committee considered this response and subsequently advised the Authority that the following matters remained outstanding:
• copies of consultancy work undertaken by the Growth Areas Authority for the Government with respect to how streamlining planning reforms could achieve potential savings of $10,000 per lot for homebuyers in the growth areas;

• advice as to when reports in relation to a number of vegetation and environmental values surveys will be finalised and released publicly; and

• copies of any research undertaken by the Authority on the impact of the Growth Areas Infrastructure Contribution levy on housing affordability.

16. On 23 June 2009, the Authority provided a further response to these outstanding matters (see Appendix 4).

3.2 Second Hearing: 7 September 2009

17. The Committee considered the written responses from the Growth Areas Authority in relation to outstanding matters from the hearing in April 2009 and resolved to issue a further public hearing invitation to the Authority to give evidence on various issues including:

• matters outstanding from the previous public hearing;

• the Authority’s performance and operations for the 2008-09 financial year;

• Precinct Structure Plans;

• Growth Area Infrastructure Contribution levy; and

• Urban growth boundaries and the new Urban Growth Zones.

18. On 7 September 2009, the Committee received further evidence from the Growth Areas Authority’s Chairman and Chief Executive Officer.

3.2.1 Key matters raised in 7 September hearing

19. The following issues were discussed during the second public hearing:
• re-examination of the basis for the claim that the streamlined UGZ planning reforms will produce estimated savings of up to $10,000 per lot for homebuyers in the growth areas;

• re-examination of the impact and timing of the Growth Areas Infrastructure Contribution (GAIC) levy on housing affordability;

• the proportion of infrastructure requirements within the GAIC levy and comparisons with a similar levy imposed in New South Wales;

• the role of the Growth Areas Authority in the planning process for particular developments;

• the impact of variables associated with the calculation of the GAIC levy, such as the increase in land value and land size;

• estimates of the total tax to be raised under the GAIC levy and uses of these funds; and

• whether it is feasible to zone land out of the Urban Growth Boundary (UGB), and the process for such requests.

3.2.2 Documents tabled at 7 September hearing

20. The Authority provided an opening presentation at the public hearing. A copy of the slide presentation is provided in Appendix 5.

3.2.3 Questions taken on notice at 7 September hearing

21. The following questions were taken on notice by the Authority at the public hearing (see Transcript of Evidence – Appendix 6):

• copies of any advice to the Government on the issue of how streamlining planning reforms could achieve potential savings of $10,000 per lot for homebuyers in the growth areas;

• information on how the 15 percent infrastructure contribution figure was calculated in terms of infrastructure requirements;

• provide figures for the GAIC variables associated with the increase in land values;

• copies of any advice or material provided to the Government on the possible impact on housing affordability if the timing or model of the GAIC was changed;

• advice as to what processes have been put in place to consider requests to be zoned out of the urban growth boundary; and
• advice as to the average uplift or average valuation increase for land brought within the urban growth boundary.

22. The Authority’s responses to the above matters were received 12 October 2009 and 24 December 2009 and are provided in Appendix 7.

23. The Authority’s 12 October response did not fully deal with outstanding matters to the Committee’s satisfaction and as a result, the Committee resolved to invite the Minister for Planning, the Hon Justin Madden MLC to a further hearing to discuss the Growth Area Infrastructure Contribution levy and other related matters.

3.3 Third Hearing: Minister for Planning, 2 December 2009

24. On 2 December 2009, the Committee received evidence from the Hon. Justin Madden, MLC, Minister for Planning.

3.3.1 Key matters raised in the 2 December hearing

25. The following issues were discussed during the public hearing with the Minister for Planning (see Transcript of Evidence – Appendix 8):

• reasons for the delay in advice being provided to the Committee as to how streamlining planning reforms could achieve potential savings of $10,000 per lot for homebuyers in the growth areas;

• reasons for the delay in advice being provided to the Committee as to the average uplift or average valuation increase for land brought within the urban growth boundary;

• processes and progress with respect to a proposed future Precinct Structure Plan for the Sunbury area;

• progress made with current Precinct Structure Plans and number of lots that have been approved through this process;

• Government’s objectives and strategic justification behind the VC55 planning scheme amendment in terms of establishing various Central Activity Districts and employment corridors;

• progress on the environmental strategic impact assessment of the urban growth boundary;
the extent of the Minister’s discussions with industry groups in relation to the Planning and Environment Amendment (Growth Areas Infrastructure Contribution) Bill 2009 and whether any delays in the Bill would cost $25,000 to $30,000 on the price of a new home, as claimed by the Premier;

whether the Government is considering logical inclusions in the urban growth boundaries outside of those proposed in the VC55 planning scheme;

the merits of having a separate authority, the Growth Areas Authority, in managing planning in growth areas;

the extent to which precinct structure planning guidelines will facilitate better planning in growth areas;

the concept of a decentralisation policy to address increasing population; and

the impact of recent rural planning schemes in South Gippsland and Mildura with respect to development restrictions.

3.3.2 Questions taken on notice at 2 December hearing

26. The following questions were taken on notice by the Minister for Planning at the public hearing:

- copies of any advice to the Government on the issue of how streamlining planning reforms could achieve potential savings of $10,000 per lot for homebuyers in the growth areas;
- advice as to the average uplift or average valuation increase for land brought within the urban growth boundary;
- background technical papers relating to the Urban Growth Boundary Review;
- progress on the environmental strategic impact assessment of the urban growth boundary;
- the basis for the Premier’s statement on 12 November 2009 that any delay in Parliament passing the GAIC Bill will cost $25,000 to $30,000 per block of land;
- further information as to how many dwellings are required in each municipality on average in the next 20 years; and
- with respect to a scenario in which GAIC was calculated as a proportion of land values, what proportion would be required to account for $95,000 per hectare?
27. The Minister for Planning’s response to the above matters was received on 23 December 2009 and is provided in Appendix 9. With respect to the first point in paragraph 26 above, the Minister indicated he was seeking legal advice as to the release of any such documents.

28. On 15 March 2010, the Minister subsequently responded to the outstanding matter dealing with streamlining planning reforms and potential savings for home buyers.

29. The Minister advised that eight documents were identified as being relevant to the Committee’s request for copies of advice to the Government on the issue of how streamlining planning reforms could achieve potential savings of $10,000 per lot for homebuyers in the growth areas. However, of the eight documents, only one was released to the Committee; a GAA prepared document titled ‘Housing Affordability: a summary analysis of potential savings which could arise from reforms to the growth areas’ planning process’. A further seven documents were not released on various grounds of Executive privilege.

30. A copy of the Minister’s response together with the one released document and schedule relating to non-release of the other documents is provided in Appendix 9.
Objectives of the GAA (under Section 46AR of P&E Act)

- Development to occur in a coordinated and timely manner
- This includes the provision of infrastructure, services and facilities
- The sustainable development of land
- Promote housing diversity and affordability
- Promote employment opportunities
- Ensure there is land provided for commercial and industrial purposes
- Foster the development of Communities
Functions of the GAA (as per S46AS of P&E Act)

Make recommendations and report to the Minister on:

- Planning, use and development of Growth Area land
- Use and collection of levies collected in growth areas under contribution plans
- On Minister’s request, any matter relating to functions or powers of GAA
- Minister’s functions or powers in regard to growth areas

To carry out any other function conferred on GAA under P&E Act

Introduction to the Growth Areas Authority

- Statutory Authority under Planning & Environment Act
- Established September 2006
- 6 Board Members
- Role is facilitation and coordination of planning
- Complement not duplicate local government and other agencies
- 26 staff (in 2007/2008)
- Funded through budget appropriation
- Other Grants provided for specific projects eg Reducing Regulatory Burden, Preparation of PSP’s
- Detailed planning costs shared between GAA, Councils and in some cases developers/landowners
The Primary Goal

BETTER, MORE SUSTAINABLE AND MORE AFFORDABLE HOUSING AND INCREASED EMPLOYMENT IN MELBOURNE’S GROWTH AREAS
Melbourne’s Growth Areas

Fall within LGA’s of:
- Cardinia
- Casey
- Hume
- Melton
- Whittlesea
- Wyndham

Victoria will grow by 2.3 million by 2036, 1.8 million increase in Melbourne

Increases mainly due to fertility rates and natural increases, low level of population movement to other states and national immigration levels

Currently around half of Melbourne’s growth is occurring in these areas
Melbourne’s Projected Dwelling Growth

<table>
<thead>
<tr>
<th></th>
<th>Established Areas</th>
<th>Growth Areas</th>
<th>Total Melbourne</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006 Dwellings</td>
<td>1,241,320</td>
<td>263,646</td>
<td>1,504,966</td>
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<tr>
<td>Increase from 2006 to 2026</td>
<td>316,000</td>
<td>284,000</td>
<td>600,000</td>
</tr>
</tbody>
</table>

Precinct Structure Plan Completion Timetable

- 07/08: 3
- 08/09: 8
- 09/10: 11
- 10/11: 6
- 11/12: 12

TOTAL: 40 = estimated >100,000 lots
Precinct Structure Plan Status as at 31 March 2009

- **9 completed**
  - Cranbourne North; Merrifield Employment; Robinsons Road Employment North; Aurora; Epping NE; Point Cook Homestead; Tarneit West; Cardinia Road; Folkstone Employment

- **3 at planning scheme amendment**
  - Cranbourne West
  - Robinsons Road Employment South
  - Riverwalk

- **15 under preparation**
  - Botanic Ridge; Cardinia Road Employment; Clyde North; Officer; Pakenham Employment Area; Craigieburn East; Craigieburn (R2); Greenvale North; Greenvale South (R3); Melton North; Taylors Hill West; Toolern; Truganina Employment; Truganina South

- **3 at pre-planning**
  - Berwick Waterways
  - C21 Business Park
  - Wyndham Vale

- **10 still be started**
  - Beaconsfield; Casey Central; Hampton Park Hill; Officer Employment; Pakenham Employment; Pakenham Township; Greenvale Activity centre; Mickleham Employment North; Mickleham Employment South; Werribee Employment

---

**Melbourne Growth Areas - Total Number of Zoned Residential Lots**

Forecast Model: Total Land Supply of Zoned (PSP Approved) Residential Lots

<table>
<thead>
<tr>
<th>PSP PROJECTS COMPLETED DURING 2007/08</th>
<th>Total for 2007/08</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cranbourne North (Stage 1)</td>
<td></td>
</tr>
<tr>
<td>Epping North East</td>
<td></td>
</tr>
<tr>
<td>Tarneit West</td>
<td></td>
</tr>
<tr>
<td>Total for 2007/08</td>
<td></td>
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</table>

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<th>PSP PROJECTS COMPLETED DURING 2008/09</th>
<th>Total for 2008/09</th>
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<tbody>
<tr>
<td>Point Cook Homestead Road</td>
<td></td>
</tr>
<tr>
<td>Aurora</td>
<td></td>
</tr>
<tr>
<td>Cardinia Road</td>
<td></td>
</tr>
<tr>
<td>Riverwalk</td>
<td></td>
</tr>
<tr>
<td>Total for 2008/09</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>PSP PROJECTS COMPLETED DURING 2009/10</th>
<th>Total for 2009/10</th>
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<tbody>
<tr>
<td>Cranbourne West</td>
<td></td>
</tr>
<tr>
<td>Cranbourne East</td>
<td></td>
</tr>
<tr>
<td>Melton North</td>
<td></td>
</tr>
<tr>
<td>Taylors Hill West</td>
<td></td>
</tr>
<tr>
<td>Truganina South</td>
<td></td>
</tr>
<tr>
<td>Cardinia Road Mixed Use</td>
<td></td>
</tr>
<tr>
<td>Craigieburn (R2)</td>
<td></td>
</tr>
<tr>
<td>Greenvale North</td>
<td></td>
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<tr>
<td>Total for 2009/10</td>
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</table>

<table>
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<tr>
<th>PSP PROJECTS COMPLETED DURING 2010/11</th>
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<tbody>
<tr>
<td>Officer</td>
<td></td>
</tr>
<tr>
<td>Botanic Ridge</td>
<td></td>
</tr>
<tr>
<td>Clyde North</td>
<td></td>
</tr>
<tr>
<td>Total for 2010/11</td>
<td></td>
</tr>
</tbody>
</table>

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<tr>
<th>PSP PROJECTS COMPLETED DURING 2011/12</th>
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<tbody>
<tr>
<td>C21 Business Park</td>
<td></td>
</tr>
<tr>
<td>Wyndham Vale</td>
<td></td>
</tr>
<tr>
<td>Total for 2011/12</td>
<td></td>
</tr>
</tbody>
</table>

**Forecast Demand for Residential Lots in Growth Areas:**

Approx 12,000 - 14,000 per annum

**Precinct Structure Plan Status as at 31 March 2009**

- **9 completed**
  - Cranbourne North; Merrifield Employment; Robinsons Road Employment North; Aurora; Epping NE; Point Cook Homestead; Tarneit West; Cardinia Road; Folkstone Employment

- **3 at planning scheme amendment**
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  - Beaconsfield; Casey Central; Hampton Park Hill; Officer Employment; Pakenham Employment; Pakenham Township; Greenvale Activity centre; Mickleham Employment North; Mickleham Employment South; Werribee Employment
GAA Major Achievements 2008

Implementation of a faster, better and more uniform growth area planning
• Created a streamlined planning process
• Designed and implemented the Urban Growth Zone
• Developed Precinct Structure Plan program to be completed by 2012
• Will achieve savings on holding costs, planning consultants and legal and admin. costs

Achieved significant progress on available zoned land
• Blanket rezoning of remaining greenfield land
• Reversed trend of declining supply of zoned land (leading to significant improvements in 08/09, and 09/10)
• New zoning for both “employment” land and residential

Commenced Native Vegetation and Fauna Assessment
• Covering 25,000 hectares
• Aims to improve environmental and planning outcomes by having information “upfront”

Improve Environmental and Liveability Outcomes
• Release of draft Precinct Structure Plan Guidelines
• Built “expert” planning team
• Liveable communities research with Griffith and Melbourne Universities finalised

Improve Infrastructure Planning
• Created multidisciplinary profession team
• Introduced Infrastructure planning groups with Councils and utilities (etc)

ANNUAL REPORT 2007/2008 - Balance Sheet

<table>
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<tr>
<th></th>
<th>30/6/2008 $m</th>
<th>30/6/2007 $m</th>
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<td>Cash and Equivalents</td>
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<tr>
<td>Receivables &amp; Prepayments</td>
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<tr>
<td>Non Current Assets</td>
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<td>0.1</td>
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<tr>
<td><strong>Total Assets</strong></td>
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<td><strong>1.8</strong></td>
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<tr>
<td>Payables</td>
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<tr>
<td>Employee Benefits</td>
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<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>0.7</strong></td>
<td><strong>0.5</strong></td>
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<td>Accumulated Funds</td>
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<tr>
<td>Surplus / (Deficit)</td>
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<td>1.3</td>
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<tr>
<td><strong>Total Equity</strong></td>
<td><strong>2.9</strong></td>
<td><strong>1.3</strong></td>
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<td>30/6/2008 $m</td>
<td>30/6/2007 (10 months) $m</td>
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<td>--------------</td>
<td>---------------------------</td>
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<td>State Government</td>
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<tr>
<td>Developer &amp; Others</td>
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<td>0</td>
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<tr>
<td>Interest</td>
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<tr>
<td><strong>Total Revenue</strong></td>
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<td><strong>5.0</strong></td>
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<td>Employee Costs</td>
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<td>Contract Services</td>
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<tr>
<td>General Expenses</td>
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<td>0.7</td>
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<tr>
<td>Consultants</td>
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<td>0.2</td>
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<tr>
<td>Accommodation &amp; Deprec.</td>
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<td>0.2</td>
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<tr>
<td><strong>TOTAL EXPENDITURE</strong></td>
<td><strong>5.0</strong></td>
<td><strong>3.7</strong></td>
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APPENDIX 2 – TRANSCRIPT OF EVIDENCE
23 APRIL 2009 HEARING
CORRECTED VERSION

STANDING COMMITTEE ON FINANCE AND PUBLIC ADMINISTRATION

Inquiry into departmental and agency performance and operations

Melbourne — 23 April 2009

Members

Mr G. Barber  Mr P. Kavanagh
Ms C. Broad   Mr G. Rich-Phillips
Mr M. Guy     Mr M. Viney
Mr P. Hall

Chair: Mr G. Rich-Phillips
Deputy Chair: Mr M. Viney

Substituted member

Mr B. Tee for Mr M. Viney

Staff

Secretary: Mr R. Willis
Research Assistant: Mr A. Walsh

Witnesses

Mr C. Banks, chairman, and
Mr P. Seamer, chief executive officer, Growth Areas Authority.
The CHAIR — I declare open the Legislative Council’s Standing Committee on Finance and Public Administration public hearing. This afternoon’s hearing is in relation to the inquiry into departmental and agency performance and operations specifically in relation to the Growth Areas Authority. I welcome Chris Banks, chairman, and Peter Seamer, chief executive officer, GAA. For the information of witnesses and the committee, for the purposes of this hearing, Brian Tee will be substituting for Matt Viney, the deputy chair.

All evidence taken at this hearing is protected by parliamentary privilege, as provided by the Constitution Act 1975 and further subject to the provisions of the Legislative Council’s standing orders. Any comments made outside the precincts of the hearing are not afforded parliamentary privilege. All evidence is being recorded by Hansard and witnesses will be provided with a proof version of the transcript in the next couple of days. I invite you to make an opening statement, if you wish, and then we will proceed to questions.

Mr BANKS — Thank you, Chair, and thank you for having us today. I would like to ask our chief executive officer, Peter Seamer, to make a presentation regarding the role of the authority.

Overheads shown.

Mr SEAMER — You have a hard copy in front of you, and it is on the screen. Perhaps if we could just run through the GAA; this may be starting from the basics, but it seems a good place to start.

Firstly, the objectives of the GAA as set out under the act are a range of different activities. Basically a lot of them relate to the first point which is the development section, obviously of Melbourne, in a coordinated and timely manner. One of the issues that we are moving into is the provision of infrastructure services and facilities, also in a timely and presumably the right word here is ‘coordinated’ manner. The objectives also include the sustainable development of land; promoting housing diversity and affordability; employment opportunities; ensuring there is sufficient land for commercial and industrial purposes; and broadly the fostering of community development. They are fairly directly out of the act. It is a reasonable summation.

The function of the authority itself is fairly clear. It is to make recommendations and report to the minister on planning-associated issues with the growth area of land; the use and collection of levies; on the minister’s request any other matters as set out within the powers of the GAA; and also to make recommendations in regard to the minister’s functions and powers for growth areas.

Additionally there is a broader function to carry out any other function as conferred by the act itself. That is broadly what you will find in the act if you look at what we are about.

Perhaps a little bit more specifically, moving to the next page, the GAA has been in operation since the passing of the appropriate legislation in September 2006. We have six board members who come from a variety of professional backgrounds. Essentially our role is the facilitation and coordination of planning but in a reasonably broad sense for the areas in question. We see our role very clearly as to not duplicate the role of other authorities or councils, but to complement those particularly with regard to the difficult issue of development and growth areas.

Because this inquiry relates to the 2007–08 year, we had 26 staff in that year. Essentially we were funded through conventional budget appropriations but there were other grants provided, particularly with regard to what is called the reducing regulatory burden program, which had a lot to do with streamline and which we can talk about if you wish; and also separately for the preparation of precinct structure plans which, I am sure you know, is effectively a master plan for a new community, new suburb if you like, and the PSP is a tool which has been developing over the last few years. It is clearly a master-plan type document that has a statutory significance.

In terms of costs, the cost for undertaking the planning is shared between the GAA, councils and in some cases as is traditionally the case, developers and landowners.

On the next sheet we have tried to put it in more human-being terms that basically our aim is to produce better, more sustainable and more affordable housing and employment in Melbourne’s growth areas. Probably if you try to get it down to a few words, that is the end product. Of all the things we are doing, it has to be about that.
The next sheet that I have got there really tries to look at the way in which the GAA breaks up our internal operations and the areas that we see things in. We thought you might be interested in the way in which we look at our structure. Firstly, we have the area of the bigger picture planning, which is basically planning reform. Some of that is streamlining of the planning processes. The next one is basically policy development with issues like planning guidelines, those sorts of issues, which we are actively involved in.

The next area is probably really the most basic part of our operations, which is the production of precinct structure plans. That is to create land where effectively it is zoned for development and ready for development. That is basically broken into two sections — precinct structure planning itself, and project facilitation. It is fair to say that in planning processes things get caught up from time to time and we move in to actually try to push things through the system, which we have done on a number of occasions to try to get a better outcome.

The next area is infrastructure coordination, and that is planning and some policy issues. By ‘policy’ I mean internal GAA-type policy. Then there are corporate services, which are modelling and just the normal services you would expect in terms of finances, keeping an office roof from leaking, and all the usual sorts of things.

Moving in to where we operate, at the present time Melbourne’s growth areas are in six councils, obviously on the periphery of Melbourne, particularly in the north, the west and the south-east. They obviously accommodate a large part of Melbourne’s growth. Probably approximately one-half of Melbourne’s total growth is going on in these councils. That is including consolidation. According to the government predictions, Melbourne will grow by 2.3 million people by the year 2036, the clear majority of which will be in Melbourne. The things that are driving that are basically an increase in fertility rates and the natural increases that flow from that. Basically Melbourne is not having an exodus of people from it, and there are national immigration levels that actually have a very direct effect on the pressures for growth in Melbourne. It is quite a clear relationship.

The plan of Melbourne shows where we are operating and where we are functional. The light green areas on the overhead and the multicoloured ones are the areas within the councils that are part of Melbourne’s growth areas, as set out in the act. The multicoloured areas show precinct structure plans that are currently on our program of 40 precinct structure plans, and you have a colour coding there to show you, in our best estimate at this stage, where they fit in terms of timelines.

You will see that the light-brown coloured areas are ones that have been completed. This is as of December 2008, so it is post the period you are looking at but we thought it was important that you understand where the things that happened in 2007–08 are leading to. The very light blue areas are areas that have been announced by the government as investigation zones, in its December announcements. This is a document which is on our website, so I thought I would put it in just to give you a good picture of what we are saying out there at the moment.

Moving ahead to the next histogram you basically have an indication of the size of the task that Melbourne is facing, and in terms of further housing development here — we are not talking about jobs, although that is an equally relevant issue; this is just houses and other forms of accommodation — basically during the next 20 years there have to be 284 000 houses created in the growth areas of Melbourne if the current trends keep going the way they are going. Obviously there will be other factors that come into that.

The CHAIR — Growth areas being those six LGAs?

Mr SEAMER — Yes. Well, actually let me just be careful about it — there is basically the growth of Melbourne on the outskirts of Melbourne but not including infill development in places like Keysborough or the Dandenong area. If you were to have growth into those areas and the investigation areas identified, that would include those.

As you can see, in terms of total dwelling numbers that is less than half the total amount. They are the predictions put forward in the document Melbourne @ 5 million, which was released by the government at the end of last year. Clearly the GAA’s bit, if you like, relates to that 284 000. That red thing on the overhead is the area we are concentrating on.

Just to perhaps go back a step, in order to get a house to come out of a piece of ground that was once, for example, a piece of farming land, you have to go through a series of steps. Firstly, it has to come into the urban growth boundary. That would in today’s world probably ensure that it would be zoned as urban growth zone,
which is a preliminary-type zoning. You would then go through a PSP, in which case it would actually be zoned for development. Then of course you need a permit, and then you need to actually build the property. This is a streamlined process, which I will come to in a moment, but just so long as you are aware where the different parts of the process fit in.

The next sheet also gives you an idea of a preliminary view of the precinct structure plan timetable. These are the numbers of precinct structure plans that we will be producing each year. We have done some work prior to the streamlining work that we have done, that indicates that on average it takes about five years to go through the process of turning some farming land into houses. Our aim is to cut a substantial period of time off that through the streamlining process but obviously, as you can see from that timetable, the work that we started in 2007–08 will be coming through as appropriately zoned land during the course of the 2008–09 year, the 2009–10 year. As you can see there is a big surge coming through in the 09–10 year as our plans indicate.

That is set out in more detail on the next bar chart. As you can see in the 2007–08 year there was a trickle of things coming through. The vertical dotted line shows you what we believe is an average forecast for the demand that is out there, and as you can see in the 2007–08 year, given there is a couple of years time process that it takes to go through, that was below the lines. This year, 2008–09, we will be getting ahead of the actual demand and next year, as a result of a lot of work that we have been doing over the last two years, is coming to fruition so you will actually see the results of a lot of our work coming through at that time.

All of the precinct structure plans shown here are obviously ones that are currently inside your growth boundary. That chart is then shown in a bit more detail under the next sheet to tell you where we are up to as of March 2009 with the different precinct structure plans.

The next slide really tries to look back and say, ‘What have we achieved during the time period that your committee is reviewing?’ and, ‘What would we say were the things that the GAA had done?’. The first area is what we call streamlining but effectively it is an implementation of a faster, better and, very importantly, a more uniform process towards planning.

We would like to see a somewhat more uniform process for planning with probably more diversity in the planning outcomes. Whereas in the past we tended to have very consistent types of housing, what we are trying to get is more variety but using a better-known process so that everybody knows what process we are going through.

In doing that we created a streamlined planning process, which I would be happy to talk about if you like. We designed and implemented an urban growth zone which is, if you like, a holding zone specifically designed for development areas. It has a number of benefits during the course of the process. We have developed a precinct structure plan program, which you saw on the previous slides, and we will achieve with this streamlined process substantial holding costs, planning consultant and legal and administrative costs, which we can talk about if you like.

The next broad area is that we are achieving significant process on available zoned land. During the year in question we started a large number of precinct structure plans. They will be coming through in this year and in the 2009–10 year; that is when they will be coming through. We implemented the urban growth zone throughout those areas and that included the zoning work that we are doing which is not only for residential but it is also for employment lands and we are at the full spectrum.

The next broad heading relates to one of the problems that has been around for some time in regard to development, which is the issue of how we adequately manage the protection of native vegetation and fauna in the growth areas. Clearly it is the view of the Growth Areas Authority and certainly the government, because they helped fund us for this, that we are actually out in those growth areas at the moment finding out what is there. We are doing detailed mapping.

In the past there has been too much emphasis on last-minute checking and fighting things through by which time often the important environmental protection that is required is not able to be achieved, and also there are very large costs for people in changes of plan. What we want to do is to do the work up front. You know what it is.
When the precinct structure plan is done you will know exactly where you stand in regard to native vegetation, and appropriate big-picture issues can be sorted out at that level rather than playing catch-up later on. This is a big issue for the GAA, and we have been funded by the state government to do that. We have done the first year of that. There will be more this year but we have done a very large, substantial amount of that.

The next section is improving the environmental and livability outcomes. Probably the biggest part of that is we are doing precinct structure planning guidelines, which have been out in draft for comment for some months. We are hopeful that we will be finishing those in the near future. They are really trying to put more meat on the detail, more protection if you like and more clarification for people undertaking planning about what is required so that we get the better planning outcomes and it is not just an ad hoc process that we are going through.

We have internally built an expert planning team. I use the word ‘expert’ deliberately because really good quality strategic planners are not a dime a dozen around this town or anywhere else. We have built and we are building a very good team. We have undertaken a number of research issues. One of the more significant ones was the study we undertook on livable communities which was done in conjunction with Melbourne University and Griffith University about the elements that they saw as being creative livability issues, which we are happy to talk about if you like.

Finally, we became more actively involved in infrastructure planning. I think it is a clear view of the state government that they want more coordinated planning and infrastructure issues going together. We have done that through a small, internal team that works on that. Most of the outcomes of this work will be seen in the results of other authorities — councils and other government organisations or statutory authorities — because we work with them in coordinating our planning work with what they are actually doing.

In terms of the achievements as of that time, we tried to put down a few of the issues that we saw as being relevant to the committee today and I hope you found that useful. We are happy to talk about any of those issues if you wish. Moving more onto the financial side, we have put in there — I think it is pretty much the same as in our annual reports — the first balance sheet. Sorry, I still use the terms ‘balance sheet’ and ‘profit and loss’. I apologise that our chief financial officer is not with us today. At last word, he was hiking through some mountains in Spain, which probably says something about his sanity.

The issues we have there I think are all fairly straightforward. Perhaps if you flick to the next page on the profit and loss, I think the government funding is fairly clear cut. We have a $1 million allocation there in the period for June 2008 for developer and other funding. That relates primarily to the project being done in conjunction with Casey in regard to the planning for Cranbourne East. These are funds — and this is a typical method used by councils — where the developers put money in towards precinct structure planning and then get it repaid through reductions to their DCPs, their council levies, at a later stage, which is fairly conventional funding. But this one, like some of the others, went through our books, and so that is what that one there is. I do not think there is anything particularly outstanding that I would like to comment on about that, but that is probably the one item that you may be interested in. With that, I thank you for the opportunity of making this submission to you, and perhaps I will leave it at that.

*The CHAIR* — Thank you, Mr Seamer. The committee appreciates your attendance and the presentation you have given this afternoon. As you appreciate, my colleague Mr Guy, the shadow Minister for Planning, will have a number of questions for you, and I am happy for him to take most of the time I ordinarily would. I would like to ask you a couple of things arising from your presentation. With respect to the native vegetation and fauna assessment work that the GAA has undertaken, does that extend to Aboriginal heritage issues which, as you would appreciate, create a similar issue for development projects? Are you getting into that?

*Mr SEAMER* — ‘Getting into it’ is the correct term. We have been concentrating in the last year essentially on native vegetation and fauna. This year we will be working with AAV to look in more detail at all the cultural and heritage issues, both Aboriginal and other ones, and that will be being done this year.

*The CHAIR* — So they will then be covered at the structure plan stage?

*Mr SEAMER* — They will be covered in accordance with the appropriate legislation and as much as can be within the precinct structure plan. The legislation for cultural heritage has its own specific criteria, and we have to work within those.
The CHAIR — You would be looking, to the extent possible, to get that up-front at the PSP stage?

Mr SEAMER — Correct.

The CHAIR — Can I ask you about the three PSPs that were completed in 2007–08. Typically what time frame is required to get to a completed PSP? How long are these work in progress, and with respect to those ones, can you update the committee on what has occurred since the completion of those PSPs in terms of actually translating into developments?

Mr SEAMER — The typical time for PSPs is something which is effectively still work in progress. The PSPs are a relatively new creation. They take a number of years to do. The GAA is streamlining the way in which they are done. The way in which we have done that is to really concentrate on the PSP but take out some of the sequential steps after that that were being done previously — for example, previously there were a number of steps, and there are Gantt charts showing the old process and the new process, so we can provide those to you, if you would like.

The CHAIR — That would be helpful.

Mr SEAMER — Certainly. So what you will see when you see those Gantt charts are things like where once you have done a PSP we believe it is no longer necessary, for example, to have development plans, but in the past they were doing a PSP, a development plan, sometimes multiples of them, and each of those would require getting an amendment to the planning scheme. That would require authorisation from the minister, so it was this very, if you like, sequential and relatively laborious process that the government was seeking to streamline. When they funded us for the work to do the streamlining, they were saying that this was about, and I think the term that has been used is ‘reducing regulatory burden’. I think that is what it is about. So in doing the PSP, the aim would be to take the total process from being effectively a farm, zoned farming, through to a house popping out of the ground from around five years to a lesser period.

I believe in some announcements that the Premier made he was talking about taking a year out of that process, and we think that will be more than able to be achieved — and that is certainly what we are working on. In terms of the PSP itself, it will not necessarily be any shorter than what it was before, but what will happen is that these other sequential things will be wrapped into that — the authorisation stage and in many cases the planning permit stage. If you use section 96 of the act, you can do a rezoning with the planning permit at the same time, and Cranbourne East is a good example of that. This is actually an accelerated process. The important thing about the acceleration is that we are doing the important work first and we are doing it more thoroughly than ever before, and the example I gave before was in regard to native vegetation. That is only one. It also applies to road planning and other issues.

There was a second part to your question. I would like to take that on notice if I could. In regard to the three PSPs there, which are Cranbourne North, Epping North East and Tarneit West, I will come back to you and advise you where they are up to.

The CHAIR — Just as to where they have progressed to. The other question I wanted to ask at this stage was that you touched in your comments on the developer and other contributions that flowed in 2007-08. Is that an ongoing? You gave that particular example. What was the basis for that developer making a contribution through to the GAA, and is that a process that we can expect to see going forward where developers will be making revenue contributions to the GAA for your PSP work?

Mr SEAMER — The history to these issues is that landowners and developers have always paid for planning to some level or another. If you go back to the big developments of the 1980s and 1990s, things like master plans and the terminology that was around in those days would have been paid for pretty well entirely by the — depending on what size it was, but by and large it would be paid for by — the landowners or developers. In PSPs councils have used developer and landowner funding, to be reimbursed from the DCP in recent years to gain sufficient funds for them to be able to undertake the planning that they need to do. This type of use — because this is effectively something we are doing closely in conjunction with Casey — was following on from that.

On the issue about where the funds come from for PSPs, I think there is a degree of the circumstances that it applies to. There have been examples where landowners have wished to accelerate the planning of their areas.
For example, if the council has a particular program of development of PSPs, and the developer for whatever reason wants to accelerate their area, in a number of cases they have gone to the council and said, ‘We will either pay for this, or we would like to pay for this but have it reimbursed from the DCP’.

Those sorts of processes have been used, and to some extent they may be used in the future. But the government has funded us to a greater extent to actually allow more funds to be put towards the planning than it has in the past. That will allow the GAA and the councils involved to be able to shoulder more of this burden than, say, a couple of years ago.

Ms BROAD — Thank you for your presentation and your appearance here today. You have outlined in your presentation the progress with the PSPs, which is significant. I take you to the matter of the number of lots zoned for housing in the nine completed structure plans. Could you outline for us how that is impacting on the supply of zoned housing lots — in reference to what is the, if you like, average annual demand, how that supply is being affected by the PSPs, and prior to these new arrangements what the rate was, so that we can actually see what a difference it has made in terms of the supply and also the impact on affordability?

Mr SEAMER — We have some specialist graphs on this. I have not brought them today, but perhaps I could just refer you to the one that I showed you before, which is this bar chart. The vertical line there shows us what we believe is a fairly average demand, which is really around 10 000, 12 000, 14 000 per year. That is the sort of demand that has been around for the last couple of years.

There has been an accelerated demand in the last couple of years, there is no question about that, and Melbourne, in comparison with other places in Australia, has experienced a higher level of demand than we were used to, certainly in percentage terms. I think there are lots of people going around talking about Melbourne’s growth being the greatest since the gold rush and all that sort of thing — and it is perfectly true.

There was no doubt that when we started this program, the production of zoned land was well below what was needed. I think that is highlighted in the red year that is on that graph there. What we want to do is get to a point where supply is up to a figure which is around 10 years zoned land supply available, which was something that was put out by the government a few years ago in terms of its targets.

Clearly this has a direct relationship to affordability. You will see that when there is a shortfall of supply, prices move very quickly. In the history of Australia — and I am not talking about Victoria so much — there have been periods in the last 10 years where there has been a shortfall of both raw land and housing supply. You have had a very direct cost increase for people buying homes coming from that.

I have another graph — I have not brought it with me today — that talks about final house prices. If you would like us to, we could do something for you and pass that through, if that would be helpful. Clearly we see that getting on top of the supply issue is a crucial one.

That has two different components to it. The first is that you have to have sufficient raw land supply for people who are going to develop land to be able to buy. Then you have to have sufficient houses or house lots that developers have produced for home buyers to buy. If you have a problem at either two of those stages, you only need to get one of them wrong and you will have a problem with the end affordability issue. At the moment what we are doing with the PSPs is ensure that there is sufficient zoned land so people who wish to develop land can develop that land, and then there will be sufficient supply for the home buyer to buy.

To answer your question directly, I do not have the figures on affordability with me today. We can certainly supply those to you if you would like. But we see a very direct relationship between supply and costing.

Ms BROAD — To summarise, in terms of meeting the government’s objective that has been set of the 10-year supply, and I think more specifically the additional 90 000 homes by 2012 — —

Mr SEAMER — Yes.

Ms BROAD — Based on the progress that has been made through the PSPs to date, would you say that you are on track in terms of meeting those government objectives?

Mr SEAMER — Yes, we are. Our aim is to be at that 10 year supply. Clearly that green supply line is what we are working so hard to achieve. That assumes we have demand at that level. If you have much less demand
then it makes it easier to achieve the 10 year supply. If demand goes up — and I notice there have been some announcements about the first home buyers scheme in the last couple of hours, which may affect demand a little — then it will bite into that supply. Yes, our plans are to have it online, mainly through that large amount of work that is coming through in that particular year.

**Ms BROAD** — Thank you. In addition to access to those lots and affordability considerations, livability is also a major consideration. Helping to bring forward basic community services and ensuring that these areas are sustainable — socially, economically and environmentally — by having all of the things that families need are very important considerations, and certainly they are very important government objectives as well as the affordability and supply considerations. Can you outline for the committee how those objectives are being delivered through the PSP, and I think more recently through some of the changes that have been made through the new urban growth zone part of the process as well?

**Mr SEAMER** — In the work we do with PSPs we are ensuring that more emphasis is placed on a number of issues that affect lifestyles directly. Some of them are quite hard-nosed and some of them involve a range of different service delivery issues. A lot of this will be guided by the precinct structure planning guidelines which, as we said, are out in draft form and which hopefully will be coming through in the not-too-distant future. They will vary from issues like supply of community services in areas. In that particular area we have infrastructure working groups with councils, and we are working out with them their requirements for the new areas so they can put it in their budgets and so it can be reflected in other people’s budgets to make sure that there is efficient and appropriate land put aside when we do planning.

I am talking there about what you would normally see as community services, depending on how you define it, things like active sporting spaces. Specific requirements are going into the precinct structure plans, setting aside not only the right amount of land but the right amount of land in the right place. The actual funding of those sorts of issues is something that we are working on in conjunction with councils. At present — and this does not relate particularly to the year in question — we are talking to councils about how they fund those things. Some of the councils are doing good work in analysing this. I know that the City of Wyndham announced about a year ago now a new set of guidelines about community services provision, which I thought was quite a good document. So those sorts of things are going through.

A lot of the livability issues, however, are not in those areas; they relate to how far people have to travel to work. One of the councils has an average travel distance of 25 kilometres each way to work, which in my view is too much, and what we are trying to do — and it is clearly the chairman’s view — is to sort out where people work and live, which is a major issue and an issue that certainly the GAA has been talking about for a long period of time. We want to implement more capacity in local areas for local employment so people do not have to travel.

That is not just about issues of planning; it involves how you get more home-based businesses going, how you get more service to offices in local areas, how you get real office jobs in areas that are not conventionally seen as office areas, and of course if you can do that you get the great benefit of counter-cyclical flow on your freeways, and less pressure on your rail and so forth.

**Mr BARBER** — Or you trains — —

**Mr SEAMER** — Sorry? I didn’t hear what you said.

**Mr GUY** — He is just hoping he will not end up with an electorate more than 25 kilometres from the city, that’s all.

**Mr BARBER** — It is the same electorate as yours, Mr Guy!

**Mr GUY** — That is right. It does go that far.

**Mr SEAMER** — There is a range of different issues. There is the broader issue of sustainability — what will happen in 20 years time with water and all of those things. So we are trying to put those things into the precinct structure plans. We have been going to a lot of effort to talk to all different authorities — Sustainability Victoria and really everybody — about what they want in the precinct structure planning guidelines. They do cover a lot of these issues, so you are going to see, in the PSPs that come through in the future, more emphasis...
on those outcomes and more thoroughness about making sure that they are built into the early stage of the planning and not just something that gets tacked on a couple of years down the track. I hope that answers your question.

Ms BROAD — It does, thank you.

Mr GUY — Thank you very much for coming in. I appreciate it very much. If I could quickly talk about supply issues, you mentioned population as a point there. With the UGZ coming into operation, on the current population growth figures that you have to work around — and I note you are saying you have to effectively double the number of dwellings in growth areas by 2026 — do you have enough land within the current urban growth boundary after the current changes come in at the end of the year? Will you have enough land to accommodate 284 000 by 2026?

Mr SEAMER — That all depends on what comes through later this year, but the government has not made any decisions about what is actually there. As a rule of thumb you would have thought that the amount of land being shown in the investigation areas there would be sufficient for that, but I do not want to pre-empt any decisions being made by other parties.

Mr GUY — I am just saying that you obviously will have the responsibility for implementing that policy and for managing population growth in growth areas; and in fact, as you are saying, for doubling growth area dwelling numbers. I am just keen to see whether or not you are confident that you will have enough land until 2026 on current population growth forecasts, which as we know have changed a number of times lately.

Mr SEAMER — The investigation zones, to my reading, have been designed to achieve the government targets of 20 years of raw land supply. It is 2009 now and we have 20 years supply, that gives you the answer of where we would imagine it would be achieved. However, it is probably fair to say that we are working on the estimates we have at the present time. You and I have both got a crystal ball — it is not a very big one and we are not quite sure what it will be — but, yes, this is aimed around the predictions of what will happen to meet the government’s targets of 20 years supply, which are pretty well the right sorts of targets.

Mr GUY — Just on the PSP review, I note there are nine that are complete and there is a timetable which you have set out. If it takes, as I think you said, five years for farmland to be developed into housing and you want to cut that, as I think you said, five years for farmland to be developed into housing and you want to cut that, it seems in 2011 and 2012, according to your documentation, effectively half, or 18 of 40, will be completed, which means that that land will not actually come on-stream until 2016.

Mr SEAMER — No, the five-year period was the typical time taken prior to our streamlining reforms.

Mr GUY — What is that opposed to — four years?

Mr SEAMER — Let us say it is four years — let us hope it is even better. At the time that the PSP gets done, you are half way through that period. Let us say it is four years, the PSP might be two years into that, so it might be two years after that. At the moment, if we are running somewhat below desirable targets for zoned land supply, what this says is that with the work coming through in the year 2008–09, these houses could effectively be coming out of the ground — it could be much quicker than that — within the next 18 months or two years, depending on what it is now.

Mr GUY — But that is at a best case scenario?

Mr SEAMER — No, I would have thought that is pretty much the scenario. Do not forget you have land right at the moment which is zoned and which is not developed. The trouble is it does not meet government targets for that. What this is doing is to pick up that target and get ahead, move the whole thing away from being below the government targets to at least meeting the government targets. That is what we are going to achieve.

Mr GUY — I am conscious of what appears to be a four or five-year process that is, as you are saying, about streamlining planning, but it appears that most of it is coming on-stream in three or four years time. Are you finding any problems with money in the PSP process? In the last two years you will effectively be doing half of them. Are you confident that all of them will be done in time, by 2012?

Mr SEAMER — We have obviously looked at our budgets, and there are a number of different issues about funding things. We are trying to build up a team of people internally. We think that these things can be done not
only better but more efficiently than they have been done in the past. We have done a lot of work on that. We believe that a lot less time can be spent in legal processes, which of course saves a huge amount of money and time. We are confident we will achieve those sorts of things.

We would not be putting this program to you unless we felt reasonably confident. That does not mean to say that every single thing is going to go exactly according to that, but we would not be putting it forward today unless they were clearly our plans.

Mr GUY — In relation to the UGZ, I wonder if you could just outline to the committee how you believe it will actually speed up the process, because it seems to me it is another layer of bureaucracy administering another level of zoning that people have to deal with and accommodate?

Mr SEAMER — Not really, because typically land, let us say, outside the UGB would be zoned farming land. When it comes into the UGB there would be a blanket UGZ zoning for that land, except perhaps for some areas that it could not be applied to — there might be an extractive industry zone or something like that as part of it — but the rest of it would come through.

The actual drawing of the UGZ does not take any time at all. It is saying, ‘This is a holding zone’. The UGZ has certain facilities within it to allow advanced development of certain issues. Particularly one of the problems we had in the past was with early onset provision of schools, because basically you cannot build certain things in certain zones. This allowed us to negotiate with a school, for example, and say, ‘Yes, we know where it is going to go. That is clearly the place it is going to go. In a PSP it has not been drawn up yet. Yes, you can go ahead with that’. There was a lot of demand for that.

There were issues for developers, where they wanted to put in display homes and things like that, where in the past you actually had to wait until the final zoning was done. So long as you are sufficiently advanced in the planning process, this would allow a council to allow them to develop that earlier on, which would assist them in the marketing of their work. The UGZ is trying to simplify. It does not take any time to implement, and it has certain advantages during the course of the process.

Mr GUY — One of the claims that was made at the time of its implementation and again in your documentation was that it would lower land prices in that urban growth zone by $10 000.

Mr SEAMER — Not the UGZ itself.

Mr GUY — The point was made that in growth areas there would be a reduction in land values of around $10 000.

Mr SEAMER — The terminology, if I recall correctly, was that the cost of developing land would be reduced by that sort of figure — I think that was the terminology used. What that relates to effectively, Mr Guy, is the saving in time from the streamlining of the process. What we would be saying is that if we can take a year out of the process, the holding costs on land and all of the associated issues with sequential development — the cost involved with that — or if we can take some of that out of the process, we will actually reduce the cost of developing land.

Ultimately that will have a direct effect on the cost for which homebuyers are buying land. Against that, of course, through inflation and other issues there will be other pressures on the land. But what we are saying is that if we can introduce the streamlining package — not just the UGZ but the whole streamlining package — then that will bring about substantial savings. I think a figure of $10 000 was put in our figures, and I think that is quite a justifiable figure.

Mr GUY — Yes, because it says in your annual report of 2007–08 that streamlining planning reforms are estimated to produce savings of around $10 000 per lot for homebuyers in the growth areas. It is talking about the retail end, so it is not talking about the production end.

Mr SEAMER — No, but it will bring about a saving from what they otherwise would have had to pay. This does not necessarily talk about the overall land prices that are happening outside this, but a saving to homebuyers will come about from the streamlining of the planning process.
Mr GUY — I ask this again because one of the key points for the implementation of the UGZ was that it would reduce land prices at the retail point for homebuyers in growth areas. If I have a look at land prices going from June 05, 06, 07, 08, 09, I see they have risen steadily. I can see no reduction in land prices, even in growth areas or across the metropolitan area. Unless there were a spike in the 2008–09 figure, I cannot see where a $10 000 figure would be factored in, or at least a $3000 or $4000 figure would be factored in.

Mr BARBER — The developers got to keep it, obviously.

Mr GUY — You might be right, Mr Barber, but it is a key point of your promotional material in relation to the UGZ and indeed the government’s and the planning minister’s, and I would be keen to see via this committee some evidence of where that has actually occurred and where there has been a saving, even of $1000 at the retail end, thanks to the creation of the UGZ.

Mr SEAMER — I reiterate that the saving is in relation to the total streamlining package, of which part of it is the UGZ. The main part of the saving comes about from the streamlining of the planning that we were talking about before. Having the PSP not being run sequentially to development plans I think is taking a year out of the process. We believe that will save figures in the order of magnitude that are talked about there, ultimately to the homebuyer.

One of the issues with the PSPs is that a lot of the land that is being sold now has gone through the old process. The PSPs take time. When you look at the figure, the stuff that will be coming through — —

Mr GUY — I did not put the figure on it; you guys actually put the figure of 12 months time. I did not say in 12 months time; it was the government and yourselves who said within 12 months.

Mr SEAMER — The saving of 12 months.

Mr GUY — The 12 months from February 08, or June 08 when it was gazetted, that within a 12 month time frame the cost of land would be reduced by up to $10 000 in growth areas.

Mr SEAMER — The saving for a homebuyer will be of that magnitude, from what they otherwise would have had, with an implemented streamlining.

Mr GUY — Who came up with that figure?

Mr SEAMER — That particular figure — we did some work on it at one stage to look at what might come from it.

Mr GUY — Was it done internally by the GAA or by the departments or by a consultancy? Or was it a process that was examined?

Mr SEAMER — There was some consultancy done. The real way to analyse that figure will be to look at how long the new tranche of PSPs take to do in comparison with the old ones. That is where you prove it. There are too many external factors coming into individual pieces of land to say in this particular month this has gone down. You are not going to see one particular part of the whole process; you have to take the whole thing together. What we are saying is that if you looked at how long it took under the old system and then how much time it is taking under the new system to do it — let us have a look at the time and cost savings from that. The trouble is that most of the PSPs that we are working on even now have had one foot in the old world and one in the new world, and it will be the ones that come entirely through the new world where you will see where you will get that saving. It might be good in the future to actually go through — which we will be doing — and review how much time we have saved from this, but it is too early to do that.

Mr GUY — I ask it again because at the time of the announcement in February 08 there was no qualification given on this by the Premier. It was a very clear and unambiguous point put forward, and that is that this process within 12 months will save up to $10 000 at the retail end. I assume the Premier did not just make it up, so I ask: is there material that was produced by the Growth Areas Authority that actually devised or came to the figure of $10 000? You have more or less said that there was, and I wonder if it is possible for the committee to get a copy of that to actually ascertain what it was based on and what were the terms of reference or the points that gave rise to the figure of $10 000 within 12 months.
Mr SEAMER — We provided some information through to government on the issue. That information was provided, presumably, as part of the government’s deliberations on the issue. We would be happy to check with the minister and see whether he is comfortable with that being made available, and if that is the case, it will be provided.

Mr TEE — That is a fair enough answer.

Mr GUY — It is a fair enough answer, you are quite right, Mr Tee, even though you are a late arrival to the committee. Just in relation to the 90 000 lots that were obviously promised by the UGZ, I am keen on the current status of that. Again it was a pretty definitive figure — that 90 000 lots were going to be released. What is the current situation? Is the GAA monitoring how many have been released since or what we have gotten up to?

Mr SEAMER — Yes, we review it basically every three months. I have not got those figures with me today. But once again I would be happy to provide you with an updated situation, with the status of where the exact supply is from our latest figures. I think our latest will come through from a review done in March. We will probably have them about now, so we will be able to give you something in a couple of weeks.

Mr GUY — Okay, I appreciate it. You touched on a number of points in your presentation about the urban growth boundary and obviously the process that I know you are going through at the moment. Some documentation that you put forward and the maps that you put forward have mentioned the investigation areas. I note they are a little behind — a couple of months behind from when they were meant to be out. I think it was 30 June that the draft was meant to be out. Is there a reason they are a couple of months late?

Mr SEAMER — I think that process is actually being managed by DPCD, so it is probably most appropriate to raise the question with it rather than us.

Mr GUY — So you do not have any input into the outcome of the — —

Mr SEAMER — We, like a number of other authorities and government departments, have been party to the process, but DPCD is managing the overall part of that process. That is something you would have to raise with it.

Mr GUY — So in terms of the final deliberation of the 40 per cent — or the 20 000 hectares or whatever — that needs to come in, you will be a part of the process that makes the final decision as to which land is chosen in those investigation areas to come in?

Mr SEAMER — We will have, like the other departments, relevant input to that, but we are not the final decision-maker. That is an issue for government, and I might add for yourselves.

Mr GUY — But you obviously are charged with managing land in the growth areas. I simply would say that I would expect and would have thought that you would definitely be a part of the processes making recommendations as to what land will come in and what land will not.

Mr SEAMER — We are a part of the process, correct.

Mr GUY — I am sure you are.

Mr SEAMER — Particularly one of the large things we have been involved in is managing the input from all the different parties. We have a large range of inputs to that process, not surprisingly enough, the majority of which are people who would like to have the UGB changed to include their land. So yes, we have been involved in a number of ways in it. There are different panels, staff secondments and lots of different issues going on, but effectively the issue of the management of that whole process has been run by the department.

Mr GUY — Just in relation to that, as head of the Growth Areas Authority, what are the key requirements that you see as essential for land in those investigation areas to be included in the urban growth boundary? Is this being done on, ‘What do you think should go in?’ , or do you have a process on what you think? Obviously there is not, so I ask: what do you believe are the key requirements for certain land to be included in that area?

Mr SEAMER — It is probably not what I believe.
Mr Guy — Or the Growth Areas Authority?

Mr Seamer — It is a fairly standard planning issue. I think a lot of these issues were covered in the old smart growth committee days. As well as that, the government, when it announced the investigation zone and the follow-up announcements in regard to transport made in December, referred to a number of issues that it saw as important. I think they are fairly clear. My understanding is that it has been very comprehensive and thorough about how it is working its way through those processes. I am sure it is not just the best idea sort of thing, or whatever words you used, Mr Guy. It is a comprehensive and thorough process, and like any other plan, the sorts of issues that you are looking at are the ones you would expect — like proximity to transport and proximity to employment; and is their native vegetation in those areas? You could probably give the list as well as I could.

Mr Guy — I take it the submissions are coming to yourselves or you are certainly seeing the submissions, or will they be going straight to DPCD?

Mr Seamer — There will be two rounds of submissions. The first round has been coming into us, which really was the input into the process. I believe the government, or the departments, will be releasing a draft UGB line at some stage in the future. At that stage there will be a second round of consultation on it. We will be involved in those consultations. The exact mechanisms behind it will be dependent on exactly what is involved. It is probably not my position to talk about.

Mr Guy — Are those submissions public?

Mr Seamer — Which submissions?

Mr Guy — To alter the submissions for UGB within the investigation areas.

Mr Seamer — It is probably getting a bit outside of the 07–08 administration year.

Mr Guy — We can come back in seven weeks and do it all again if you like!

Mr Seamer — That is right, but the issue about whether they are public or not is an issue you will have to raise with DPCD.

Mr Guy — I still have quite a few questions, but perhaps the Chair might move to other members of the committee in fairness and come back to me a bit later.

The Chair — We will move to Mr Barber.

Mr Barber — Mr Seamer, you might have change gears here, because you are going to get a bunch of questions from perhaps a very different perspective to what Mr Guy has been putting forward. In relation to the 600 000 projected dwellings over the next 20 years — say 30 000 a year — how does that compare to the last five years?

Mr Seamer — Is it 30 000 a year? I am sorry, that is overall, is it?

Mr Barber — I am working off this slide.

Mr Seamer — Sorry, yes, I just wanted to check. That is the overall growth of Melbourne. So that includes urban consolidation, development in broad hectares — fairly small, but outside the growth areas.

Mr Barber — But that is one of the baseline projections we are using.

Mr Seamer — Yes.

Mr Barber — It is 30 000 dwellings year. How would that compare to the last five years for Melbourne?

Mr Seamer — It would not be too dissimilar.

Mr Barber — In the last 20 years?
Mr SEAMER— Now you are testing me, Mr Barber. I would have to go back and have a look.

Mr BARBER — I put it to you that in the early part of the 90s it was about 30 000 dwellings per annum, according to some data I have got; so in fact there is nothing spectacular or unprecedented at about that. It has been the same number of dwellings over a reasonably long planning period.

Mr SEAMER— The population growth is higher than that. I would have to check the dwellings. I do not have that information in front of me, But the population growth is higher than was in those.

Mr BARBER — Sure, but just in terms of dwellings. In those days it was of course on a somewhat smaller city. So in percentage terms, nothing at all exponential — it is more linear. Fair enough?

Mr SEAMER— I am sorry; I do not have those figures in front of me.

Mr BARBER — Okay. With land that has basically gone through the process, how much land is available right now in terms of likely dwelling amounts?

Mr SEAMER — In terms of the number of years supply or in terms of the raw amount?

Mr BARBER — At that sort of growth. How many dwellings could we build if we went out and built them on all of the available land tomorrow — not in terms of years but the total number of dwellings?

Mr SEAMER — I want to be specific here. I am happy to provide you with that information, but first of all I have to ask what you mean by available dwellings. The first issue is is there somebody with a sign up saying, ‘This is ready for sale’, which is a different issue to the amount of zoned land.

Mr BARBER — That is exactly the issue I am going for — zoned land.

Mr SEAMER — Zoned land, okay. I would like to check those figures. I did not think we would be getting into this today. I have them here but it would take me 5 minutes to dig through and find them. Broadly I think at the moment there is around 70 000 lots, but that would be a preliminary estimate which I would like to refine. If you would like more information on that, I would be happy to provide it.

Mr BARBER — Sure.

The CHAIR — Thank you.

Mr BARBER — Do you understand the distribution of that land amongst, say, the top five development firms?

Mr SEAMER — Yes, we have that information.

Mr BARBER — I would love to see that information if that is available. In terms of the precinct structure plans that have been completed or put on exhibition, are you able to tell me what the gross and net residential density outcomes have been for those PSPs?

Mr SEAMER — For the last series of them I would like to go back and check because I do not want to give you incorrect information. I am happy to provide that to you. We obviously have a target of 15 or higher for net developable land, for residential land. That is the target we work to — a stated government target. We do not see any problem with achieving that target.

Mr BARBER — Previously that target was to be achieved over 30 years with a straight-line kind of approach to achieving it. Are you saying that the ones that have been completed or are on exhibition are getting in around 15?

Mr SEAMER — The ones that are currently coming through the system that we are planning to go through the amendment phase are achieving those sorts of levels.

Mr BARBER — Is that a net or gross figure?
Mr SEAMER — There is a whole world of net and gross discussions around here. This is net developable land.

Mr BARBER — I refer to something from your website that says:

Epping North … is a sustainable residential development located between Plenty Valley … comprises 600 hectares of primarily residential land, creating up to 8000 new homes …

If that is primarily residential land under the definition that says the houses and the streets and a couple of little pocket parks, would I be right in saying that is about 13.3 dwellings per hectare?

Mr SEAMER — Yes, but you have to take out the shopping centres, major parks and roads.

Mr BARBER — That is how we get from gross to net.

Mr SEAMER — You are probably getting the 15. If you are interested in Epping, we would be happy to do an analysis of Epping and provide it to you.

Mr BARBER — I was just wondering if for each of the ones that have been completed or exhibited you could perhaps provide that little table with the name of the PSP, net and gross. You have already given us the total numbers of dwellings — —

Mr SEAMER — Which assume a density in there, so we have already — —

Mr BARBER — I have not got the hectares but I have got the numbers.

Mr SEAMER — What will have come if you will have worked out the hectares and then worked it back. There will be density assumptions in that, and we are happy to work on those. I would imagine that by the time you take out a powerline easement or something like that going through, which have to be excluded, you would be achieving the 15. Certainly our aim is to achieve that. And also I might add we think it is very important that there be variety within that. It is just not achieved by having every block at 400 square metres. That is an issue that often gets really overlooked, about having the variety of sizes.

Mr BARBER — Thanks for that. On the native vegetation and environmental values surveys, are some of those complete now in terms of the consultants having handed you their work?

Mr SEAMER — The consultants have completed a number of parts of the work. What we do is we are working closely with DSE in regard to the issue. We have a lot of those consultants reports. Effectively we are doing the work some years in advance of what it would have been done with the permits, so DSE still goes through and has a look at it, but basically they are involved in the process so it should be a much more thorough and more accurate view. Yes, we have done some of the work; we have not completed looking at that.

Mr BARBER — We both understand that doing that sort of work in a short time frame is difficult because of the environmental values we are talking about. You do the wrong season or you do not cover the seasons or a frog stops croaking or something and you do not locate it — —

Mr SEAMER — I cannot say that I am specifically an expert on those areas, but certainly all of the work we have done does tie in with the appropriate seasons. They all meet the criteria for the state and federal areas. There is a lot of federal legislation about this too, so these have to meet all of those criteria. Otherwise there would not be much point doing them.

Mr BARBER — Will you be able to release those consultants reports?

Mr SEAMER — It is an issue that we are going through with DSE. At the end of the process a lot of that will be made available. I do not think it is quite finished yet, but that material will be made available in due course, yes.

Mr BARBER — Before or after the government makes its decision about the UGB line?

Mr SEAMER — I would have to get advice from our colleagues at DPCD who are managing the UGB process, but I would imagine that they will be putting forward a range of backup documents in regard to the
UGB and I would imagine that they would be providing that material and our stuff will get provided as part of that.

Mr BARBER — It is just that if I want to do a submission and you have got the information, I could make my submission based on that information if I had it now.

Mr SEAMER — Correct.

Mr BARBER — But it is sounding like it will all be bundled up and released possibly when the draft UGB line is actually — —

Mr SEAMER — Yes, but that gives you the opportunity to review it before you make your submission, which is hopefully what you are seeking to achieve.

Mr BARBER — You said that this process might help stop some of that last-minute checking, that going out surveying in front of the dozer that has happened in the past. Does that mean that whatever new precinct structure plan or so forth that is to be designed will not include the usual environmental triggers such as environment significance overlays?

Mr SEAMER — There is still total capacity for those things. What we are trying to do is to get to a point where environmentally sensitive areas are actually protected prior to them being affected by some form of development, which is certainly something we do not want to see any more of. Basically what we are trying to do is to identify right now where the sensitive areas are so that we can protect them appropriately and they are not, as there have been examples of in the past, sensitive areas that have not been treated appropriately, and that is what we are trying to stop. There is no reason why you cannot still have the environmental overlays and I am sure they have still got a place for it, but I think there might be even stronger protections that could be put in place.

Mr BARBER — I would hope that would be the outcome. It is obviously the best way to do it in theory, but what I am saying is that if you produce a PSP that is meant to get all the approvals rolled up at the beginning of the process, then later on there may not even be a trigger for a planning permit on an area outside whatever you designate as the relevant areas. It could simply be zoned residential, no environment significant overlay, so I can go ahead.

Mr SEAMER — That would only occur if all the work had been done, which is what you would be doing later on anyhow. My view is the work should be done earlier rather than later because in many cases it is too late to do it by the time you get to that point. It does not prohibit anything but effectively what has to happen if you have got an area where you suspect, or DSE suspect, it is a sensitive area, the aim of the exercise is to get in there and check it out and, if it is proven to be a sensitive area, the protections are put in place as early as possible.

Mr BARBER — I am not disagreeing with you. The planning concept you introduced of people not wanting to travel more than about 25 kilometres, would that not more likely be a time-based rather than distance-based phenomenon?

Mr SEAMER — Yes. But I might add we are not saying 25 kilometres is anything to go by. That is too far. What the aim would be is to have people travelling less with the least amount of effort from the carbon point of view, from the time sitting in the car, from the amount of infrastructure you require for it and all the other things that go with it. When we say 25 kilometres each way, it just so happens one of the municipalities we look after does have that sort of travel time.

Mr BARBER — Yes, but it is important because you are actually zoning land for future commercial and industrial development, and 25 kilometres an hour is about what a car does across the developed city, but there is no reason why a train could not do 50 kilometres an hour and get you 25 kilometres in half an hour, half the time.

Mr SEAMER — I think you are relying too much on it. The 25 kilometres is just an existing example of what we do not want to see in the future. Of course if you have quality high-density transport as you would find with rail, then that allows you to have a longer-term distance with less carbon, less time and every other thing,
so yes, that is the reason presumably why the government in its announcement in December has tied together the land-use planning with the transport outcomes, and being a planner I could not do anything but applaud that.

**Mr Barber** — The concept you were describing is that in some ways you are de facto deciding that you will take the jobs out to the growth areas; you talked about countercyclical people driving out freeways and so forth. In some ways you are making the decision about where those jobs will go as opposed to where the people go. Other cities have tried that, not always with success — the decentralisation of jobs as opposed to the moving of people. Could you perhaps just to assist me, if you are providing that table about residential density by PSP, also provide to me for each PSP the hectares of commercial industrial land that has been allowed for in that, and if you based that on an estimated number of jobs that would then be provided? Could you provide that figure as well?

**Mr Seamer** — I think we probably could, so long as I know which PSPs you are interested in we could give you the figure.

**Mr Barber** — Only the ones that are completed or exhibited, obviously.

**Mr Seamer** — The red ones, okay. We should be able to pull out for you the issues of estimated number of residential properties and also an estimated number of jobs from those, yes.

**Mr Barber** — With the hectares of zoned land, it is a matter of just dividing one by the other.

**Mr Seamer** — Yes.

**Mr Barber** — Which I could almost do with the data you have given to me, but I am a humble backbencher and do not have the resources to pursue every study I would like to.

**Mr Guy** — You are co-leader of the Greens!

**Mr Tee** — I have a question on an issue in relation to the annual report, at page 5, about the best practice demonstration project at Cranbourne East, which talked about showing good design, reducing the carbon footprint, improving areas to employment and improving community expectations. I wonder how that project is progressing?

**Mr Seamer** — Cranbourne East is one of the bigger PSPs we have got under way at the moment and we have chosen in working with part of that area to see what can be done particularly with regard to one of the neighbourhood activity centres there. Getting back to the same topic we were talking with Mr Barber about, one of the issues there is about how we manage the issue of local employment and that is something that has been worked through with the developers that are involved. We saw it as very important in the production of this that it was not just an academic exercise being done by government. It was actually something to have a hard-nosed developer as part of the team and something would come from it because that is the best way of showing that these things are workable. That is still under way.

The precinct structure plan is close to being in a position where it can be advertised. Some of the outcomes coming from that relate to things that the council is doing in terms of the community and employment facilities that it is planning to work on inside the neighbourhood activity centre. There is a walkability exercise being done with our staff and other parties with regard to the whole of the precinct structure plan. There are a number of other components of that under way. We work as a partnership arrangement with the planning institute, ourselves and Stockland as the developers. They are really working with us, together with the council as well.

It is basically trying to explore some of the latest thinking but within the context of it being a very typical development for Melbourne. The aim of the exercise would be that you would probably require a further stage in regard to the neighbourhood activity centre. At the end of the day the neighbourhood activity centre will hopefully be reflecting the sorts of things that all planners and people want — a reasonable main street, some potential for office employment, perhaps some potential for transitionary-type employment issues, such as serviced offices and things like that.

There was a good example up in Queensland that we saw, where the council is actually putting serviced offices into a new estate. So people are moving into an area and are not quite sure how they want to manage their business and they do not want to do it from the front living room. They go there and have a transitional
arrangement. They work there for two years and then they move out and start employing people and take a place of their own. There are Soho-type developments, which are basically housing and office together in the one house.

Then there is the capacity for working from home. That might be double and triple garages for the plumber and it might be a front office in a typical house for somebody who wants to plan on looking for a job. Those are all the sorts of things that we are experimenting with. It is progressing satisfactorily. It is one of a range of different things we are doing. We would like to see those sorts of issues become commonplace in the new PSPs that we are doing now.

**Mr Hall** — I have just one question, and maybe you will consider this a bit from left-field. Will the experience of the February bushfires in Victoria have any impact on planning considerations given to existing urban growth areas and particularly to investigation areas?

**Mr Seamer** — Yes. We have been acutely aware of those issues, like everybody else in Victoria. We have been through the precinct structure planning guidelines in conjunction with the CFA to look at the requirements. Most of the growth areas, at a quick look, are certainly not areas that are seen as high-risk fire areas, while there are plenty of areas that are.

By and large the nature of the topography of the growth areas does not put them in those sorts of situations, but a lot of the requirements for bushfires actually relate to the building side of things more than the big picture planning side of things. Certainly if you look at the precinct structure planning guidelines they talk about the requirements for those issues, so I think the answer, Mr Hall, is yes, that we have taken those into account.

**The Chair** — This is an absolute layman’s question, Mr Seamer. What capacity exists for land-holders who hold land within the UGB which will be subject to a PSP, or where a PSP is already under way, to develop their land prior to that PSP being completed — for example, I raise a question following Mr Tee’s question, about Cranbourne East. That is scheduled for completion in 2010. If you are a land-holder in that area now and you wish to develop, is there any capacity to do that without the PSP having been completed?

**Mr Seamer** — You can only develop in accordance with the way in which your land is zoned. Prior to the creation of the UGB you could only develop things essentially that would fit in with what is in a farming zone, which was your prior zoning. The UGB has essentially the same sort of controls over it, except for a few specific cases — and I think I mentioned those before, schools and things — but if you are a land-holder who wants to go and put 10 houses on a hectare or two, you have to get it zoned appropriately for the development.

**The Chair** — And essentially the land you are looking at which you are completing PSPs on at the moment would be zoned farming land at the moment?

**Mr Seamer** — Basically. And if I may say, that is appropriate. The purpose of a PSP is to create whole communities where everything works together long term. You do not really want one little patch coming out because that might be just the right patch for the neighbourhood activity centre or the major park or something like that.

**Mr Guy** — Mr Seamer, I noted in the presentation you gave that one of the functions, obviously, you listed was the use and collection of levies in growth areas under contribution plans.

**Mr Seamer** — Yes.

**Mr Guy** — What are you collecting now?

**Mr Seamer** — We are not collecting anything.

**Mr Guy** — What projections do you have to collect?

**Mr Seamer** — The issue of levies, as you will be aware, was announced by government last December, and that is something that is presumably under government consideration that would presumably go through the parliamentary process at the end of that time. Depending on what happens with that we would be able to give you better estimates, but at the moment we do not have any legislation in front of us.
Mr GUY — That is a very good point you make particularly given I understand in the process at the moment you are sending out letters in relation to the growth areas infrastructure contributions. So having noted what you have just said, on what authority are you sending those out to developers and land-holders to notify them of their requirements?

Mr SEAMER — We are notifying land-holders in the areas affected of the fact that the government has made an announcement about that. We wish to ensure that everybody on the land that could be affected either by that or by the urban growth boundary, which is probably an even greater change, is aware of that. The last thing in the world you want is somebody who does not know there is going to be a UGB shift selling their land at farming values because they are not aware of it.

So the GAA has gone to a fair bit of trouble to get information out to those people so everybody is appraised of the current view of what is likely to happen. That is what we have done. Basically the basis on which we have done it is the government’s announcement in December.

Mr GUY — I understand in those letters there is a calculation of liability of how much the person or the land-holder may be up for. Is that correct?

Mr SEAMER — In 2005 the government announced a proposal for a levy that had some dollar figures in it. The government’s announcement this December kept those the same for areas inside the UGB, excepting some areas where they wiped the charge altogether. For any land that may come in from the new investigation areas they took a figure which effectively was the old figure with CPI. They were announced in the government announcements in December and that is what we are putting around.

Mr GUY — So noting that, there must be a figure which you would have in relation to the potential liability that all land-holders have in relation to the UGZ and the investigation areas which would exist, because they are being put into those letters which are being sent out.

Mr SEAMER — Are you talking about us estimating how much money may be generated from that scheme if it was — —

Mr GUY — That is right.

Mr SEAMER — We have done some work on that and we have provided that to the government through the minister. I presume that is the sort of information they are considering as part of the deliberations of the minister and the cabinet on the issue. We provided it for that basis.

Mr GUY — That levy or charge is not obviously payable to the SRO; it is payable to the GAA?

Mr SEAMER — There is no final decision about that yet, but I would imagine the best body to collect that would be the SRO because there is no particular reason to duplicate those sorts of collection facilities. I do not believe that has been fully announced yet, but it would seem to make sense.

Mr GUY — Sure. Again, is it possible for the committee to obtain just a copy of those estimates that the GAA has examined?

Mr SEAMER — That would be an issue for the minister. If you like, I can go to the minister and see if he feels it is appropriate for that to be released at that stage.

Mr TEE — The committee could do that.

Mr GUY — I would appreciate that principally because as you know one of the key marketing points, if you like, on establishing the GAA was that you were an independent statutory authority that was at arm’s length of government and was operating in the best interests of those in the growth areas. I would agree with that. Therefore it would be helpful to ascertain just what we are talking about in relation to the levy. One of the points that has come back to me on a number of occasions is that we are looking at levy bills, if you like, for some developers of up to $100 million.

Mr SEAMER — There are no properties where figures of that sort of magnitude would apply. There is no property that large in the whole of the investigation areas that would have a $100 million levy.
Mr GUY — What is the largest figure that you are aware of?

Mr SEAMER — If it were to go through, I think the largest lot in the growth areas is around 350 hectares or something like that, but please do not hold me to that because I would actually have to check it. There has been a figure touted around about this megalot, but I cannot find it in the records anywhere, and we have all the records of all of the actual information and it would be there.

Mr GUY — Is there an average figure that you aware of?

Mr SEAMER — Average is not a particularly good term. There is a per hectare figure — —

Mr GUY — That is right.

Mr SEAMER — Which is really the powerful one. If you own a quarter-acre block it would not be charged anyhow.

Mr GUY — Thanks for the time. As an arts graduate I could not do it straight in my head, but even in a 350 hectare situation you are talking about an up-front tax bill of over $33 million. I think you would have to acknowledge that is fairly substantial.

Mr SEAMER — Yes. The value uplift from the land is very substantial and can only be achieved if there is a lot of money spent on infrastructure, which I believe is the way government has put the reason for this. We may not be the best group to talk about the issue of the levy or otherwise. We are a statutory authority and we have certain responsibilities. We obviously have a capacity to understand the economics that are out there and things like that, but the actual issue around the levy itself is probably a discussion for another place.

Mr GUY — I understand that but, again, this is going to be a levy which I understand will fund your recurrent revenues, 50 per cent of which will go towards the funding of the GAA.

Mr SEAMER — Can I just pick up on that point?

Mr GUY — You sure can.

Mr SEAMER — Yes, that has been touted around. That is not the case. The announcement in December talked about the fund being split into two different components, one of which would be for heavy infrastructure. Presumably the second is for a range of different issues that would involve infrastructure which councils and others could have an input to, and may or will also fund a part or all of the GAA’s costs. But it certainly will not be the amount that is in that separate fund. That second fund will mostly be about infrastructure, but it has got in there that it can fund GAA costs. The actual GAA costs will not amount to anything like the amount of money that is set aside in that fund, so even if all of the GAA costs went there, it would only be a small proportion of it.

Mr GUY — I hear what you say, but I also understand that there is a huge amount of confusion in relation to this levy.

Mr SEAMER — Yes.

Mr GUY — Again, I will read to you from the government’s own material — in fact this is on your own website, GAA material — which states:

50 per cent will — —

not ‘may’ — —

be paid into a Growth Areas Development Fund as well as going towards the costs of the Growth Areas Authority.

There is no ‘It might be half and half’ and it might be this, it might be that. That is all the industry has to go off at the moment, that 50 per cent will be paid into a growth areas fund — fair enough — and also going towards the costs of the Growth Areas Authority. Is part of the problem here that there is not enough information on the detail of this fund that exists at this point in time? I just remind you that people are getting liabilities in this of up to $30 million and they have to obtain finance for that extra $30 million to ensure their developments proceed.
If those developments do not proceed or they hold them or scuttle them or choose to invest in Queensland instead, that will cost Victoria jobs at a time when we cannot afford it.

**Mr SEAMER** — Yes, we totally understand that. If people are reading that particular line as 50 per cent of the costs are going towards Growth Areas Authority costs, then that is unfortunate. It is certainly not the way that I read that document. Our costs are substantially less than that. I have got the feedback from one other person that that is the way they read it, but I do not think anybody else has read it that way.

**Mr GUY** — If I can stop you there. With respect, I will read it very clearly for the committee again:

... as well as going towards the costs of the Growth Areas Authority.

So how is someone to misinterpret ‘as well as going towards the costs of the Growth Areas Authority’?

**Mr SEAMER** — They talk about the creation of two funds.

**Ms BROAD** — Before that.

**Mr GUY** — I did read that, Ms Broad. I read the entire thing beforehand for the committee’s benefit. I read the entire sentence beforehand, but we are talking about — —

**Mr TEE** — For my benefit, can you just read it again because I missed it?

**Mr GUY** — Yes:

50 per cent will be paid into a Growth Areas … Fund as well as going towards the costs of the Growth Areas Authority.

**The CHAIR** — I think Mr Seamer was about to make a comment.

**Mr SEAMER** — Sorry, I do not have anything further to add. I think it is very clear that there is a second fund of which part may be used towards the GAA. That is clearly what is intended here. I do not think I can add anything further.

**Mr GUY** — Fair enough. I am stating the conclusion on that point, that there is no ‘may’; It says ‘will’, so I raise this with you.

**Mr SEAMER** — There are two separate things. One is clearly an infrastructure fund.

**Mr GUY** — Yes, that is right.

**Mr SEAMER** — And a part of that second fund may go towards the GAA.

**Mr GUY** — I just state that and raise this point because clearly you can understand there are people who are nervous on receiving letters from yourself, and I would be keen to find out on what authority and how you obtained those mailing lists to send letters to those land-holders, and they are obviously concerned that they are going to be up for a large amount of money on a bill which they never factored in and now have to go and avail themselves of finance to cover.

**Mr SEAMER** — Just on that — and I advise you that if you do know some people who are concerned about it, they are very welcome to call us — we have been trying to work it through with people, and most of the advice has been sorted through adequately. The announcements about the charge were broadly made in 2005 so they have been out there for some years, but I understand that there will be some people who are not particularly apprised of planning issues. That is why we sent the letters out. The lists are all most appropriate to send out. There is nothing untoward about how we got names and things like that.

**Mr GUY** — So will it apply to a farm-to-farm transfer?

**Mr SEAMER** — If you have a farm that is zoned for farming so it is farming land, then presumably the charge would not apply. If you have a farm which is zoned for potential residential development, then its value is for potential residential development and the levy would apply.

**Mr GUY** — What about if it is an inheritance?
Mr SEAMER — No.

Mr BARBER — It is a cracker of an inheritance in that case.

Mr GUY — Yes, it is. But then with respect — —

Mr BARBER — So it is at the point of rezoning.

The CHAIR — I think Mr Seamer was about to finish his answer.

Mr SEAMER — I think just on this topic, the government made an announcement in regard to these issues. We are having these discussions with people as best we can, but it is probably appropriate for these issues to be raised through the government. The actual legislation will be a DPCD matter. We are an authority. Our role is to give advice to the minister in regard to these issues of what we are doing. I have given you my best understanding of it.

We are happy to talk to any of the different groups involved, or individuals, and if you have people who are in those circumstances, I would recommend that they give us a call and we can talk it through, but it probably is not appropriate to run through today the details of the legislation, particularly as they are still being — —

Mr GUY — I raised it only because you had commented on this in one of the local papers in the south-eastern suburbs, so you have made comment on it publicly, and also your name is the signatory on the bottom of all of those letters to every land-holder, so this is the reason I raise it with you.

Mr SEAMER — We tried to do it in line — there is a fact sheet that was produced on the website, which I am sure you probably had a look at. It does try and set out issues like the inheritance and things like that. I assume they are in there; I would have to double check it, but I presume they are on there, but I will have another look at that issue. These issues should all be being covered off.

The CHAIR — Did that fact sheet go out with the letters? The only reason I ask is that I have constituents who have also raised concerns.

Mr SEAMER — I think they got it with the letters. It was certainly referred to in the letter, but I would have to double check. I believe there was a hard copy of the fact sheet that went out with it, but I would have to double check.

Mr GUY — So has any material been produced or research or analysis done by the Growth Areas Authority or that you are aware of by the department that analyses any retail costs that this new charge may have on housing affordability, on homes in those growth areas, because presumably — and I know Mr Barber will agree with me — —

Mr BARBER — The developer gets to pass it through.

Mr GUY — The developer is not going to pay it. Indeed, I am sure if they do pay it, like any business, it will be passed on at the retail end, and that is about $5000 or $6000 on a 15 hectare — —

Mr BARBER — That is different to the argument we had earlier. They get to keep the savings and pass on the taxes.

Mr GUY — It might be, Mr Barber.

Mr BARBER — Goodbye efficient markets hypothesis.

Mr GUY — I just wonder if there is any material that has been produced by the GAA which would analyse that?

Mr SEAMER — There has been some limited work done on that. The issue of passing through or otherwise of costs to the end user is a fairly complicated area, and there is not a clear body of opinion about those issues, but once again the information we have produced is something that would go through to the government, such as it is, and it is not up to us to particularly make a comment about that.
Mr GUY — Are you prepared to make it available to the committee?

Mr SEAMER — Once again, it is something I would have to check through the minister’s office.

Mr GUY — Maybe with those three reports, you could check with the minister. We would obviously appreciate that.

Mr SEAMER — Of course.

Mr GUY — I note you have sent this contribution that GAA will have a role in administering the 50 per cent of the fund that will come out, or 50 per cent of the money which will go to the growth areas fund. In relation to, for example, land-holders, who I understand you have written to, who border the Calder Freeway, the Melbourne–Sunbury railway line and a major arterial road to the north, on what basis would those people be required to pay a growth areas infrastructure contribution given they abut a freeway, a railway and an arterial road?

Mr SEAMER — I am sorry, I really would have to look — I do not quite understand what you are saying.

Mr GUY — My question is: is the purpose in passing and establishing this new contribution that it is a one-size-fits-all approach, where even if you abut a railway line, a freeway and an arterial road, you pay it if you are a land-holder, and for that same block of land that exists in Mickleham in the middle of nowhere, are they required to pay exactly the same amount of money? Where is the differential point between someone who obviously abuts existing infrastructure as opposed to someone who is in the middle of a greenfield site?

Mr SEAMER — The levy, the way in which it has been announced, is a flat levy which really relates to — all areas require government-paid infrastructure to support them. Whether something was provided before or afterwards probably does not matter; it still has to be paid at some stage. So you need to provide government funding for infrastructure, and the cost is probably reasonably — it equally applies to different areas. I am not exactly sure of your point. But if the area is an area that is not developable in some way, then the levy would not be charged, if that is what you were saying.

Mr GUY — I know you were talking before to Mr Barber about native vegetation, which is a very good point.

Mr SEAMER — Yes.

Mr GUY — Will there be any consideration for native vegetation requirements in a land parcel? For a hypothetical, someone with 100 hectares gets a $9.5 million bill for the growth areas infrastructure contribution (GAIC), and then they find that 20 per cent of their land, when developing that parcel, is actually locked up for native vegetation, which I would imagine would not require any roads or footpaths or anything to be built on it. Is there any requirement for reimbursement to that company at that stage? Or does that GAIC apply even to native vegetation lands?

Mr SEAMER — The GAIC would apply to land which is zoned for development. However, if land cannot be developed, then it would be appropriate for that land to be zoned accordingly. So the right answer may be for somebody who has got 50 hectares of undevelopable land because of native vegetation, that it be zoned in such a way that it cannot be developed and therefore the charge would not apply. If you look at the fact sheet, I think it talked about developable land, that is the definition of it, so that is the way in which it would be treated.

Mr GUY — Finally, I ask again: is the Growth Areas Authority itself aware of any projects that may be stalled as a result of the introduction of the GAIC? You are not aware of any project whatsoever that may be in a difficult situation or a difficult phase, or where the developer may indeed pull the development if they have to pay this charge?

Mr SEAMER — Not specifically, no. I have had a lot of conversation with the developers. There is no-one who has told me that their development has stopped because of this.

Mr GUY — Not ‘stopped’ but may be in danger?
Mr SEAMER — Right at the moment there are a number of developments around Melbourne — mostly, in fact, right around Australia but mostly not in the growth areas but in other areas — where there are difficult market conditions that are way outside the issue of what we are talking about here. So there are a number of projects and a number of developers, particularly in middle ring Melbourne, who are doing it hard. I am aware of a few of those.

Mr GUY — So you are confident that all the developments in train around Melbourne and those jobs contained within, all those developers would be able to avail themselves of the cash to pay this up-front charge if it is passed or it comes in in that format later this year?

Mr SEAMER — I think we are talking to the development industry at the moment about ways of overcoming cash flow-type issues — and there have been a few thoughts put forward by them to us — which are under active consideration.

Mr GUY — Are you aware of any situations where the land value is actually less than the GAIC contribution required, if that land changes hands?

Mr SEAMER — If land is currently outside the UGB, its underlying value is probably ‘hobby farm’; that would in most cases be below that. But of course it does not apply until the land comes inside the UGB, and if you look at the range of prices of land currently inside the UGB, it is way over the sorts of figures that we are talking about here.

Mr GUY — Again, that is not the feedback that quite a number of constituents have had who have come to my office — and, indeed, I understand quite a number of other members’ offices — and maybe we will pass that on — —

Mr SEAMER — We look at this very carefully, as you would imagine.

Mr GUY — No doubt you have looked at it carefully in three different reports, which I look forward to the committee being availed of, thanks to the GAA. But thank you for your time today.

Ms BROAD — There are a couple of things I would like to follow up. Following on with the focus on the government’s announcement of the growth area infrastructure contribution for landowners who, as a result of land being included in the revised UGB, are then required to share the cost of building community infrastructure more fairly, which I understand is the explanation for that contribution, as part of the same set of announcements there was also an announcement that, as a result of a review of the 2005 state developer contribution, the government would remove that infrastructure contribution for land that was within the boundary prior to 2005.

Some estimates were given of the saving that that would result in and of the benefit to some 60 000 new homes as a result of that saving. Can you outline that impact to the committee, since it also relates to this question of development costs?

Mr SEAMER — Sure. In 2005 the announcement was made about various land at various stages of development, the charge applying to that. The government considered that last year and obviously decided to remove the land which came into the UGB earliest. Presumably the reason for that is, because of the difficult financial times that are around, to actually free up the land that is most likely to be developed in the earliest fashion. A lot of the land that we are talking about here is land that will not be developed for 10, 15 years — the stuff coming in from outside the UGB. Things inside the UGB are the things that are going to be developed first. Of course the government’s decision to remove those charges for those will be a fillip for people who are developing and buying homes in the near future. So it is a good short-term measure to boost development of homes in the next year.

Ms BROAD — Finally, earlier today there was a great deal of focus on a $10 000 figure. I would just like to ask you to clarify and confirm that that $10 000 figure is an estimated cost saving, and that retail prices of land are influenced by a whole range of factors, only one of which includes development costs, and indeed some people would argue that the retail price of land is a factor of what the market will bear, which is influenced by factors which include buyers’ incomes, job security, access to finance, and that the development cost component is only one factor in the retail price of land.
Mr SEAMER — I totally agree. The point I was trying to make before was that there will be a whole range of things. If we can take out holding costs and some other administrative costs which we would estimate to be $10,000, then that will actually have a reduction in the input cost. There will be a number of other factors depending on demand and supply and so on, but we are trying to tackle the full range of issues, not just that. But hopefully this will make a substantial difference.

Mr GUY — Just for the committee’s benefit, I will just read once more from the GAA’s annual report. I will read word for word again the line in question for the benefit of Ms Broad and the committee, which I quoted before. It was:

Streamlining planning reforms are estimated to produce savings of around $10,000 per lot for homebuyers in the growth areas.

I note there is no reference to possible finance or job security or economic conditions.

The CHAIR — Thank you, Mr Guy. If there are no further questions from the committee, I thank Mr Banks and Mr Seamer for your attendance here this afternoon and for your presentation and your frank answers to the questions. The committee has appreciated your time and efforts today. We will have a draft version of the transcript to you in the next couple of days for any corrections you wish to make. Thank you very much.

Committee adjourned.
APPENDIX 3 – RESPONSE TO QUESTIONS TAKEN ON NOTICE 23 APRIL 2009 HEARING

Mr Richard Willis
Secretary
Council Committees
Parliament House
Spring Street
East Melbourne VIC 3002

29 May 2009

Dear Mr Willis

Re: Inquiry Into Departmental and Agency Performance and Operations - Growth Areas Authority

Further to your letter of 24 April 2009 requesting additional information in regard to matters raised at the inquiry of 23 April 2009, I respond below.

The following matters required further information:

1. Details of the process and timeframe for the completion of the Precinct Structure Plans for Cranbourne North, Epping North East and Tarneit West.

   Cranbourne North (Stage 1) Precinct Structure Plan and Development Contributions Plan
   Precinct Structure Plan prepared between June 2004 and September 2006
   PSP Gazetted 5 April 2007
   Development Plan Approved September 2007
   (Total time to prepare PSP to gazettal = 34 months plus Development Plan = 39 months)
   Council has subsequently approved permits for 1,766 lots of which 418 have title and construction is underway.

   Epping North East Local Structure Plan and Development Contributions Plan
   Local Structure Plan prepared between August 2004 and December 2007
   Gazetted 26 June 2008
   Development Plan Approved December 2008
   (Total time to prepare PSP to gazettal = 46 months plus Development Plan = 52 months)
   Council is currently processing a number of planning applications which would result in the delivery of over 2,000 lots.

   Tarneit West Outline Development Plan and Development Contributions Plan
   Local Structure Plan prepared between November 2005 and May 2008
   Amendment Gazetted 31 July 2008
   (Total time to prepare PSP to gazettal = 32 months)
   Council has subsequently issued 4 permits which will result in the delivery of 340 lots and is currently assessing 2 other planning applications for 487 lots.
2. Copy of material prepared for the Government outlining how streamlining planning reforms could achieve potential savings of $10,000 per lot for homebuyers in the growth areas.

The GAA advice on savings associated with the proposed streamlining reforms to planning in the growth areas was based on analysis of the combined result of downward pressure on the price of rezoned lots through increase in supply, a decrease in administrative costs and decrease in the cost of achieving the rezoning through changes in the planning scheme amendment and PSP processes.

The streamlining reforms of Growth Area planning being introduced are anticipated to impact of housing affordability in the following ways:

- Firstly, by removing up to eighteen months from the time taken to get a lot zoned and ready for development, the financial holding costs of the developer will be significantly reduced. This means that the developer will be able to sell the property at a lower price and still achieve their required financial returns. GAA estimates these holding costs at up to $8,000 per residential lot;

- Secondly, by simplifying the planning process, it will reduce the administrative costs to both developers and Councils. These costs are typically $1,000 per lot. Developers are estimated to save up to $850 per lot, and a substantial proportion of these cost savings can be expected flow through the end purchaser, through the competitive process in the market;

- Finally, the GAA considers that one of the key factors of price and affordability in the Victorian Housing Market is that housing supply cannot immediately respond to demand surges because of the lead times needed for lots to become available for development. The reduction in the time taken to complete preliminary zoning phases (up to the completion of the Precinct Structure Plans) will have an impact on housing supply, and the increase in supply will have a flow on effect on housing supply. The GAA has concluded that the removal of one year from the time taken for zoned lots to be available will have the impact of putting downward pressure on housing lot prices of up to $5,000.

From the above, the GAA concluded conservatively that, for the purposes of modelling, that there would be potential cost reductions/savings of up to $10,000 per house block, arising from the proposed streamlining reform package.

3. Advice on the number of lots that have been released to date as part of the New Urban Growth Zone.

The new Urban Growth Zone was first introduced in June 2008, and since that time PSP No. 2 Cardinia Road has been approved using the PSP with an estimated 6,744 residential lots.
Overall, there have been nine PSPs approved to date (including Cardinia Road), and as these were generally prepared prior to the new Urban Growth Zone being introduced, these have used other zones.

Of the nine PSPs approved, there are six community residential PSPs and three employment PSPs. The six community PSPs represent an estimated 25,635 residential lots.

4. Details on the number of projected dwellings in Melbourne for the last 20 years.

This request is somewhat ambiguous.

The Melbourne @ 5 Million report released in December 2008 provided projections for the number of additional dwellings Melbourne will need to accommodate population growth and household changes over the next 20 years to meet population projections.

The Report states that over the 20 year period, it is estimated that an additional 600,000 dwellings will be needed, of which:

- almost 316,000 dwellings are anticipated to be in Melbourne's established areas
- over 284,000 dwellings are anticipated to be in Melbourne's growth areas

In relation to the dwelling production over the previous years, the following table reflects the information currently held by the GAA.

![Number of Dwellings Approved in Melbourne Statistical Division 1993-94 to 2007-08](chart.png)

5. The total number of Dwellings that could be built on existing zoned land.

The Urban Development Program (UDP) 2008 Annual Report estimates that Melbourne's growth areas have a potential supply of approximately 150,610
lots across the Urban Growth Zone areas, of which 74,430 are on Precinct Structure Plan (PSP) approved land.

6. The distribution of zoned land amongst the top 5 development firms.

The GAA does not hold this information.

Accurately identifying the land holdings of the top 5 development firms is problematic from a number of perspectives, including:
- The firms do not generally make the information publicly available
- The land can be owned under various names that are not readily identifiable as being part of the development company
- The land may be subject to various contracts, agreements and ‘options’ that give the development firm the option to purchase the land
- The development firm may enter in arrangements with the original land owner as joint ventures to develop the land and the land remains in the original land owners’ name until the land is sold as developed serviced lots

7. With respect to each completed or exhibited Precinct Structure Plan to date, provide a table detailing the gross and net residential density figures, hectares of commercial industry and employment estimates.

The table below sets out the GAA’s most recent estimates for gross and net residential density figures, hectares of commercial industry and employment for completed or exhibited Precinct Structure Plans to date.

### Primarily Residential Precincts

<table>
<thead>
<tr>
<th>Structure Plan Name</th>
<th>Status</th>
<th>Total Anticipated Residential Lots</th>
<th>Total (Gross) Precinct Area (Ha)</th>
<th>Lots per Gross Hectare</th>
<th>Net Developable Area (Ha)</th>
<th>Lots per Net Developable Ha</th>
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<tbody>
<tr>
<td>Cardilla Road</td>
<td>complete</td>
<td>4,938</td>
<td>1,090.8</td>
<td>9.4</td>
<td>745.9</td>
<td>11.2</td>
</tr>
<tr>
<td>Coping North East</td>
<td>complete</td>
<td>4,990</td>
<td>949.4</td>
<td>10.1</td>
<td>321.7</td>
<td>15.5</td>
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<td>Arakwal</td>
<td>complete</td>
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<td>913.4</td>
<td>12.3</td>
<td>391.2</td>
<td>14.7</td>
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<tr>
<td>Cranbourne North Stage I</td>
<td>complete</td>
<td>4,109</td>
<td>129.0</td>
<td>13.6</td>
<td>179.2</td>
<td>17.7</td>
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<tr>
<td>Tarrell West</td>
<td>complete</td>
<td>1,256</td>
<td>116.9</td>
<td>10.8</td>
<td>62.6</td>
<td>15.0</td>
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<tr>
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<td>8,252</td>
<td>139.3</td>
<td>10.2</td>
<td>120.1</td>
<td>14.8</td>
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<tr>
<td><strong>Totals</strong></td>
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<td>30,375</td>
<td>2,600</td>
<td>10.8</td>
<td>1,934</td>
<td>15.4</td>
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</table>

### Primarily Employment Precincts

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<thead>
<tr>
<th>Structure Plan Name</th>
<th>Status</th>
<th>Total Anticipated Jobs</th>
<th>Total (Gross) Precinct Area (Ha)</th>
<th>Net Developable Area (Ha)</th>
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<tr>
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<td>373.9</td>
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<tr>
<td>Kalpajine</td>
<td>complete</td>
<td>6,500</td>
<td>320.1</td>
<td>295.1</td>
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<tr>
<td>Baldwins Road North</td>
<td>complete</td>
<td>5,708</td>
<td>77.7</td>
<td>63.7</td>
</tr>
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<td><strong>Totals</strong></td>
<td></td>
<td>21,200</td>
<td>821.7</td>
<td>632.9</td>
</tr>
</tbody>
</table>

8. Copies of reports in relation to native vegetation and environmental values surveys.

As advised during the Inquiry, this material is being finalised, and these reports are expected to be considered for release in due course as part of the background material in relation to the Urban Growth Boundary.
9. Details of estimates considered by the Authority with respect to the potential liability for landholders as a result of the Growth Areas Infrastructure Contribution (GAIC) levy.

The GAIC revenue estimates in the 2009/10 budget comprise:

<table>
<thead>
<tr>
<th></th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
<th>2011-12</th>
<th>2012-1</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth Areas Development Fund</td>
<td>$0.0m</td>
<td>$42.3m</td>
<td>$25.7m</td>
<td>$23.4m</td>
<td>$23.4m</td>
<td>$114.8m</td>
</tr>
<tr>
<td>Growth Areas Infrastructure Fund</td>
<td>$0.0m</td>
<td>$42.4m</td>
<td>$25.6m</td>
<td>$23.4m</td>
<td>$23.4m</td>
<td>$114.8m</td>
</tr>
</tbody>
</table>

10. Advise whether any fact sheets were included with letters to landholders in relation to the GAIC levy

Yes, the Growth Areas Authority GAIC Information Sheet was included with each letter sent to landholders.

11. Copy of the material produced in relation to the impact of the new GAIC levy on Housing Affordability.

The GAA has not commissioned external research on the impact of the GAIC on housing affordability. Housing affordability is affected by land supply, interest rates, public confidence and the resulting demand. Generally, the closer to the final point of sale to a homebuyer the contribution is applied, the greater propensity for the charge to be passed or in full to the home buyer.

The degree to which infrastructure charges are ultimately absorbed by broad hectare land owners or passed on to home buyers depends in large measure on the state of the housing market and the maintenance of an adequate land supply in the individual growth areas. The Government’s commitment to maintain a competitive land market and ensure that Melbourne has, as a minimum, at least a 15 year supply of land for development will help limit the potential for broad hectare land owners to pass on the State GAIC and, in turn, for the charge to impact on the cost of development and housing affordability.

The State infrastructure charge would be levied at the first relevant transaction across all land subject to the contribution, and therefore have the contribution being paid early in the development process.

There is an amount of academic material available on this broad topic and the GAA drew on this.
Should you have any further queries in relation to the above matters do not hesitate to contact Ed Small, the GAA’s Director Corporate Services (9651-9609), or me.

Yours sincerely

Peter Seamer
CHIEF EXECUTIVE OFFICER
23rd June 2009

Mr Richard Willis
Secretary
Council Committees
Parliament House
Spring Street
EAST MELBOURNE VIC 3002

Dear Mr Willis,

Re: Inquiry into Departmental and Agency Performance and Operations – Growth Areas Authority

Further to your letter of 10 June 2009 requesting additional information in regard to matters raised at the inquiry of 23 April 2009, I respond below.

The Committee has requested additional information to three of the matters covered in my letter of 29 May 2009. I have set out below: the original request; my response of 29 May 2009; the expanded request; and any further information.

1. Copy of material prepared for the Government outlining how streamlining planning reforms could achieve potential savings of $10,000 per lot for homebuyers in the growth areas.

   Initial GAA Response of 29 May 2009
   The GAA advice on savings associated with the proposed streamlining reforms to planning in the growth areas was based on the combined result of downward pressure on the price of rezoned lots through increase in supply, a decrease in administrative costs and decrease in the cost of achieving the rezoning through changes in the planning scheme amendment and PSP processes.

   The streamlining reforms of Growth Area planning being introduced are anticipated to impact of housing affordability in the following ways:

   * Firstly by removing up to eighteen months from the time taken to get a lot zoned and ready for development, the financial holding costs of the developer will be significantly reduced. This means that the developer will be able to sell the property at a lower price and still achieve their required financial returns. GAA estimates that these holding costs could be up to $8,000 per residential lot;
Secondly, by simplifying the planning process, it will reduce the administrative costs to both developers and Councils. These costs may be as great as $1,000 per lot, the developers are estimated to anticipate savings of up to $850 per lot, and a substantial proportion of these cost savings can be expected flow through the end purchaser, through the competitive process in the market;

Finally, thirdly the GAA considers that one of the key factors of price and affordability the Victorian Housing Market is that housing supply cannot immediately respond to demand surges because of the lead times needed for lots to become available for development. The reduction in the time taken in the completion of the preliminary zoning phases (up to the completion of the Precinct Structure Plans) will have an impact on housing supply, and the increase in supply will have a flow on affect on housing supply. The GAA has concluded that the removal of one year out the time taken to zoned lots available will have the impact of putting downward pressure on housing lot prices of up to $5,000.

From the above, the GAA concluded conservatively that it would recommend for the purposes of modelling, that there would be potential cost reductions/savings of up to $10,000 per house block, arising from the proposed streamlining reform package.

Expanded Request by Committee
Following a question in relation to how streamlining planning reforms could achieve potential savings of $10,000 per lot for homeowners in the growth areas, you advised that there was some consultancy work undertaken by the Growth Areas Authority for the Government. The Committee requested that copies of these reports and associated background material be produced.

Further Information from GAA
The response provided to the Committee on 29 May 2009, outlined the GAA’s estimate of the $10,000 downward pressure on the price of rezoned lots through increase in supply, a decrease in administrative costs and decrease in the cost of achieving the rezoning through changes.

The consultancy work which is referred to was not incorporated with our earlier reply as on review it did not directly relate to the issue underpinning potential savings for a streamlined process. The items were covered in my earlier response.

For your information, the GAA commissioned SGS Economics and Planning Pty Ltd in August 2007 to conduct advice regarding the linkage between supply side elasticity and house price movements.

A copy of this report is attached.
2. **Copies of reports in relation to native vegetation and environmental values surveys.**

   **Initial GAA Response of 29 May 2009**
   As advised during the inquiry, this material is being finalised, and these reports are expected to be considered for release in due course as part of the background material in relation to the Urban Growth Boundary.

   **Expanded Request by Committee**
   The Committee would appreciate advice as to when these reports will be finalised and made available to the Committee.

   **Further Information from GAA**
   The native vegetation and environmental values survey material relating to the Investigation Areas and Urban Growth Boundary has now been publicly released.

3. **Copy of the material produced in relation to the impact of the new GAIC levy on Housing Affordability.**

   **Initial Response by GAA of 29 May 2009**
   The GAA has not commissioned research on the impact of the GAIC on housing affordability. Housing affordability is affected by land supply, interest rates, public confidence and the resulting demand. Generally, the closer to the final point of sale to a homebuyer the contribution is applied, the greater propensity for the charge to be passed to the home buyer.

   The degree to which infrastructure charges are ultimately absorbed by broad acre land owners or passed on to home buyers depends in large measure on the state of the housing market and the maintenance of an adequate land supply in the individual growth areas. The Government's commitment to maintain a competitive land market and ensure that Melbourne has, as a minimum, at least a 15 year supply of land for development will help limit the potential for broadacre land owners to pass on the State GAIC and, in turn, for the charge to impact on the cost of development and housing affordability.

   The State infrastructure charge would be levied to be at the first relevant transaction across all land subject to the contribution, and therefore have the contribution being paid early in the development process.

   There is an amount of academic material available on this broad topic and references can be supplied on request.

   **Expanded Request of Committee**
   The Committee notes the comments in your letter of 29 May 2009 and further notes your initial evidence where you undertook to check with the Minister’s office if this material can be provided to the Committee. The Committee requests that copies of any research on this matter be made available.
Further Information by GAA

The GAA advised in its letter of 29 May 2009, that there was no specific research commissioned by the GAA on this matter.

There have been incidental comments made by consultants on this matter while considering related aspects. For example, SGS Economics and Planning Pty Ltd in the attached report state on page 5:

"...Such savings need to be borne in mind when contemplating the impact of the proposed State Infrastructure Levy. While this may be a cost impost, if it enables more rapid supply side responses because of a more timely provision of infrastructure in growth areas, the overall impact on housing affordability may in fact be beneficial.

International research in relation to development contributions is wide and varied. Examples of some references relating to this broad topic and its impact on housing affordability include:

- Impact Fees and Housing Affordability: Been V (2005); Cityscape, a Journal of Policy Development and Research; Volume 8, Number 1, Office of Policy Development and Research, U.S. Department of Housing and Community Development.
- Paying for Prosperity; Impact fees and job growth; June 2003; A Nelson and M Moody; The Brookings Institution Center on Urban and Metropolitan Policy; Washington DC
- Impact Fees and Housing Affordability, a Guidebook for Practitioners; June 2008; US Department of Housing and Urban Development, Washington DC.

It is also noted that the Australian Housing and Urban Research Institute conducts studies across a broad range of housing related topics.

Should you have any further queries in relation to the above matters do not hesitate to contact Ed Small, the GAA’s Director Corporate Services (9651-9609), or me.

Yours sincerely

Peter Seamer
CHIEF EXECUTIVE OFFICER
August 28, 2007

Peter Seamer
Chief Executive
Growth Areas Authority
Level 6, 35 Spring Street
Melbourne Vic 3000

Dear Peter

Supply Elasticity Analysis

Further to your recent instructions, SGS is pleased to provide the following advice regarding the links between supply side elasticity and house price movements.

The Productivity Commission in its enquiry report on First Home Ownership (No. 28, March 2004) noted that the inelastic supply of housing coupled with rapid growth in housing demand over the recent years has been the major factor driving the housing affordability crisis. "Housing supply cannot immediately respond to demand surges because of the lead times needed to service lots, to redevelop land and to construct dwellings" (page 124).

Hence, if the housing production pipeline could be improved to make supply more responsive to changed demand conditions (i.e. more elastic), then it should be possible to moderate some of these price pressures. Whilst the theory is clear enough, there has been little empirical analysis undertaken to support this hypothesis. The following section of the report provides the results of the analysis undertaken to test the hypothesis.

Approach to the Analysis

SGS’s approach was to concentrate on estimating the impact of improved supply side efficiency on house price movements, rather than attempting to ‘plot’ the supply curve as such.

SGS undertook this by synthesising a multiple regression analysis that estimated the relationship between ‘readily developable lots’, underlying demand for housing and...
growth in median house prices, along with other variables that impact on house price such as consumer confidence, borrowing rates etc.

Multiple Regression Analysis

The Model

The dependent variable in the regression model was annual percent change in (regional) median house price.

The independent variables were:
- Number of years supply of ‘readily developable lots’ relative to underlying demand from previous period;
- Change in consumer confidence; and
- Change in standard home loan rates

The analysis was undertaken for the 3 regions of Melbourne which host the nominated growth areas. These include:
- Southern region - home to Casey-Cardinia growth area;
- Western region - includes Melton and Wyndham growth areas; and
- Northern region - includes Hume and Whittlesea growth areas.

The time period adopted for the study was 1997 to 2006. Residential land supply data was only available for this relatively short period.

Note that the above regression model was developed through an iterative process, whereby several different variations were estimated. The statistical properties of each regression model was analysed and evaluated, with successive refinements made to arrive at the final model described above.

Data Selection and Manipulation

Growth in Median House Price

The median house price for each Local Government Area (LGA) in the Southern, Western and Northern Melbourne was obtained from Landata, 2007, Guide to Property Values.

The weighted average of the median house price for each region based on the median price for the LGAs was estimated and annual growth rates derived.

Years Supply of Readily Developable Lots Relative to Underlying Demand

(a) Readily Developable Lots

The Department of Sustainability and Environment (DSE) publishes detailed data on residential lot supply for the whole of Melbourne in the publication titled “Urban Development Program”.

The information is provided for various categories including greenfield lots that can be developed within:
1-2 years;
3-5 years;
5-10 years; and
11-15 years.

SGS obtained this data set in GIS format from DSE. For the purpose of this study, ‘readily developable lots’ were defined to include land that had the appropriate planning zones for residential development and were expected to be developed within the next 1-5 years.

(b) Underlying Demand for Housing

SGS obtained data on estimated resident population for each year from the ABS (Cat: 3218.0 Regional Population Growth). The data was obtained for each LGA in the Southern, Western and Northern Melbourne.

The Victoria in Future 2004 projected household occupancy rate for each LGA was then applied to the actual population to estimate the number of households.

The underlying demand for housing in each region is the change in the number of households in each region.

(c) Years Supply of Readily Developable Lots Relative to Underlying Demand

Years supply of readily developable lots in each year is the number of readily developable lots in growth areas in that year per additional household in the region. This index measures the lot supply situation relative to housing demand in the region.

Change in Consumer Confidence

Westpac-Melbourne Institute Consumer Sentiment Index monthly data was obtained from Reserve Bank of Australia and averaged to obtain the annual figure. Change in derived annual consumer confidence index was used in the regression analysis.

Change in Standard Home Loan Rates

Monthly data on standard bank home loan rate was obtained from RBA’s website and averaged to obtain the annual figure. Change in derived annual standard home loan rates was used in the regression analysis.

The Results

The regression model was estimated using region specific fixed effects and one-step weighting matrix generalised least squares. By using fixed effects, one can take into account the "individuality" of each region by allowing the intercept to vary.

The results of the regression are reported in the table below. The regression estimates, t-statistics and the adjusted R-squared were examined. The coefficients indicate the magnitude of the effect that each of the independent variables have on the dependent variables. The t-statistics indicate whether the coefficients estimated are statistically significant. The signs of all the coefficients are as expected; the examination of the t-statistics suggests that all the variables are statistically significant at 95% level of
confidence. The regression equation has relatively high adjusted r-squared, indicating that around 78% of the variation in the growth in house price in Southern, Western and Northern region of Melbourne can be explained by model.

Other things equal, the analysis suggests that if the ratio of supply of developable lots relative to the underlying demand were to be improved by 1 year, this will moderate the growth in house price by 1.63 percentage points in the following year.

Similarly:
- a 1 point increase in consumer sentiment will lead to 0.32 percent increase in house price,
- a change in standard home loan by 1 percentage point will lower the growth in house price by 5.56 percent.

Table 1  Regression Results
Dependent Variable: HOUSE PRICE GROWTH
Method: Panel EGLS (Cross-section weights)
Date: 08/22/07  Time: 18:02
Sample (adjusted): 1996-2006
Cross-sections included: 3
Total panel (balanced) observations: 15
Linear estimation after one-step weighting matrix
White cross-section standard errors & covariance (d.f. corrected)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONSTANT</td>
<td>13.61401</td>
<td>3.21468</td>
<td>4.235230</td>
<td>0.0022</td>
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<tr>
<td>YEARS SUPPLY OF DEVELOPABLE LOTS (-1)</td>
<td>-1.634753</td>
<td>0.713701</td>
<td>-2.30586</td>
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<tr>
<td>CHANGE IN CONSUMER SENTIMENT</td>
<td>0.317768</td>
<td>0.061517</td>
<td>3.868161</td>
<td>0.0036</td>
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<tr>
<td>CHANGE IN STANDARD HOME LOAN RATE</td>
<td>-5.605204</td>
<td>2.051517</td>
<td>-2.712755</td>
<td>0.0239</td>
</tr>
</tbody>
</table>

Effects Specification

Cross-section fixed (dummy variables).
- SOUTHERN REGION
- WESTERN REGION
- NORTHERN REGION

Weighted Statistics

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>R-squared</td>
<td>0.860981</td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>0.783851</td>
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<tr>
<td>S.E. of regression</td>
<td>2.349524</td>
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<tr>
<td>Durbin-Watson stat</td>
<td>0.861422</td>
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</tbody>
</table>

Source: SGS Economics and Planning

Limitations of the Analysis

One of the unavoidable shortcomings of the above analysis is the lack of sufficient time series data on developable lots. As noted above, data for only 6 years were available, thus lowering the level of confidence one can place on the above results.
In addition, the above reported statistical relationships do not appear to be stable. As reported above, several versions of the regression model was estimated by SGS. In most cases the "years supply of developable lots" was estimated to have negative relationship with price growth as expected; but in at least one instance it was estimated to have a positive impact.

This again is expected to be due to the limited number of data points, and the fact that the period analysed happens to coincide with the time frame in which Melbourne house prices have grown rapidly.

Conclusions

The analysis confirms the theory that improving supply side efficiencies can have positive impact in addressing the housing affordability crisis, and help dampen the house price growth created by demand surges.

The regression analysis undertaken to assess the relationship between supply side efficiencies and house price growth shows that other things equal, if the ratio of supply of developable lots relative to the underlying demand were to be improved by 1 year, this could lower the growth in house price by 1.6% percentage points in the following year. This equates to around $5,000 on a $300,000 house and land package. If the supply of readily developable lots were increased by 2 years, the avoided price increase could be around $10,000, and so on. Such savings need to be borne in mind when contemplating the impact of the proposed State Infrastructure Levy. While this may be a cost impact, if it enables more rapid supply side responses because of more timely provision of infrastructure in growth areas, the overall impact on housing affordability may, in fact, be beneficial.

Moreover, our analysis highlights an important role to be played by the GAA. By intervening to lift the ratio of available lots to underlying demand, through such things as overcoming land fragmentation, advancing trunk infrastructure, streamlining re-zoning process and fast tracking re-zoning hearings, facilitating finalisation of development contribution plans etc, GAA could alleviate demand driven price pressures significantly.

Marcus Spiller
Director
APPENDIX 5 – GROWTH AREAS AUTHORITY’S PRESENTATION 7 SEPTEMBER 2009 HEARING

Today

• Specific Matters Raised
  ▪ Consultancy work on how streamlining reforms achieve $10,000 per lot savings
  ▪ Research by GAA on impact of GAIC on housing affordability
• GAA’s Performance and Operations for 2008/09 financial year
• Urban Growth Boundary and new Urban Growth Zones
• Growth Areas Infrastructure Contribution Levy
• Precinct Structure Plans
Research on impact of contributions levy on housing affordability by GAA

- As previously advised the GAA undertook some “limited” work on that
- Best review I am aware of is the Productivity Commission (2004) “First Home Ownership” report
- There are other articles in the literature on this of varying relevance
- GAA provided references of academic articles
- Some work done by SGS economics on a related topic which has been provided to you

Background: Melbourne’s Growth

Population growth at record levels:
- 80,000 last year - over 1,500 per week
- Sydney - 55,000
- Proportion of Australia - 3 out of 10 of Australia’s fastest growing areas are in Melbourne

Melbourne is still providing affordable housing, underpinned by steady supply of land becoming available for development within the growth areas
Background: Recent Sales

Australian Capital Cities Residential Land Vacant Serviced Lots: Median Lot Price ($)

Source: GAA analysis of HIA RP Data Residential Land Report

Need to facilitate 600,000 housing units in Melbourne between 2006 to 2026.
The Overarching Planning Process

The Policy decisions
- Melbourne @ 5 Million
- Victorian Transport Plan
- Delivering Melbourne’s Newest Sustainable Communities

Components
- Draft UGB
- Directions for Melbourne’s growth
- Regional Rail Link
- Outer Metropolitan Ring/E6
- Strategic Assessment of Biodiversity
- Precinct Structure Planning
- Development within ~ 3km of high capacity public transport (existing, planned or potential)
- Contiguous urban extensions
- Improved biodiversity outcomes
- Community size to support infrastructure and services
- Development patterns for efficient public transport networks
- Access to existing and/or future employment opportunities
- Land use conflict avoided or minimised
- Announced Investigation Area (Dec 08) - 50,820 ha
- Announced Investigation Area (May 09) - 573 ha
- Draft UGB amendments (June 09) - 41,661 ha
- Developable land (June 09) - 26,099 ha

Proposed Outer Metro Ring

70 km OMR corridor
- Werribee to Kalkallo
- Freeway standard road / rail
- 240m wide corridor

23 km E6 corridor
- Kalkallo to Thomastown
- Freeway standard road

7km link to Deer Park Bypass

Unlikely for construction before 2020
Northern Draft UGB showing potential Urban Growth Zones

Western Draft UGB showing potential Urban Growth Zones
State Infrastructure Requirements

Inside the UGB

In addition to major freeways, new rail routes, and self funded utility costs (water, etc) the other major items of state infrastructure include:

- Education
- Sport and Recreation
- Open Space
- Transport:
  - Rail
  - Arterial roads
  - Local Roads
**Growth Area Infrastructure Contribution (GAIC)**

- Original Contribution levy announced in 2005
- Simpler, more transparent flat contribution for infrastructure applying across all Melbourne’s growth areas
- A charge aimed to take some of the value added to land through rezoning and put it towards the infrastructure required so the area can be developed
- The GAIC is payable by the landowner at a trigger event on land that is brought within the Urban Growth Boundary and zoned for urban development purposes
- Charged at point of first sale / subdivision / development after land brought into UGB
- $80,000 or $95,000 per ha charged on all eligible land (once only)
- GAIC is to be indexed annually
- Land brought within the UGB in 2005 increased significantly in value over rural land outside UGB
- GAIC Revenue included in State Budget (09/10) - $84.7m
Precinct Structure Plan (the PSP)

- Primary Planning document for the area
- Masterplan for a new suburb
- GAA co-ordination role
- Produced in conjunction with Councils, landowners
- Major input from a range of Authorities (especially VicRoads)
- 31 more to complete in the current UGB, and around 41 more in the proposed new UGB area

Precinct Structure Plan Status as at 30 June 2009

<table>
<thead>
<tr>
<th>Status</th>
<th>Precincts</th>
</tr>
</thead>
<tbody>
<tr>
<td>9 completed</td>
<td>Cranbourne North; Heathfield Employment; Robinson Road Employment North; Aurora; Epping NE; Point Cook Homestead; Turner West; Cardinia Road; Folkstone Employment</td>
</tr>
<tr>
<td>5 in planning scheme amendment</td>
<td>Cranbourne West; Robinson Road Employment South; Riverwalk; Truganina South; Cranbourne East</td>
</tr>
<tr>
<td>14 under preparation</td>
<td>Botanic Ridge; Cardinia Road Employment; Clyde North; Officer; Pakenham Employment Area; Craigieburn (R2); Greenvale North; Greenvale South (R3); Nellie North; Taylors Hill West; Tullaro; Truganina Employment; Cranbourne North (Stage 2); Berwick Waterside</td>
</tr>
<tr>
<td>12 at pre-planning</td>
<td>C21 Business Park; Wyndham Vale, Beaconsfield; Casey Central; Hampton Park Hill; Officer Employment; Pakenham Employment; Pakenham-Township; Greenvale Activity centre; Wollikiham Employment North; Wollikiham Employment South; Werribee Employment</td>
</tr>
<tr>
<td>Underway</td>
<td></td>
</tr>
<tr>
<td>9 to be started</td>
<td></td>
</tr>
</tbody>
</table>
Thankyou
APPENDIX 6 – TRANSCRIPT OF EVIDENCE
7 SEPTEMBER 2009 HEARING
CORRECTED VERSION

STANDING COMMITTEE ON FINANCE AND PUBLIC ADMINISTRATION

Inquiry into departmental and agency performance and operations

Melbourne — 7 September 2009

Members

Mr G. Barber
Ms C. Broad
Mr M. Guy
Mr P. Hall
Mr P. Kavanagh
Mr G. Rich-Phillips
Mr M. Viney

Chair: Mr G. Rich-Phillips
Deputy Chair: Mr M. Viney

Substituted members

Mr B. Tee for Mr M. Viney

Staff

Secretary: Mr R. Willis
Research Assistant: Mr A. Walsh

Witnesses

Mr C. Banks, chairman, and
Mr P. Seamer, chief executive officer, Growth Areas Authority.
The CHAIR — I declare open the Legislative Council Standing Committee on Finance and Public Administration public hearing. Today’s hearing is in relation to the inquiry into departmental and agency performance and operations, specifically the Growth Areas Authority’s performance and operations. This is the second hearing with the authority following an initial public hearing in April this year. I welcome Mr Chris Banks, the chairman, and Mr Peter Seamer, the chief executive officer, of the Growth Areas Authority. For the information of witnesses and the committee I point out that Mr Brian Tee is today a substitute for Mr Matt Viney, and Mr Hall from The Nationals gives an apology.

All evidence taken at this hearing is protected by parliamentary privilege as provided by the Constitution Act 1975 and further subject to the provisions of Legislative Council standing orders. Any comments made outside the precincts of the hearing are not afforded parliamentary privilege. All evidence is being recorded by Hansard, and witnesses will be provided with a proof version of the transcript in the next couple of days. I now invite you to make any opening statement you wish before the committee proceeds to questions.

Overheads shown.

Mr SEAMER — Through you, Chairman, what I thought I might do is to give a PowerPoint presentation quickly summarising where we are up to. Some people do not like PowerPoints, and I understand that, but we will try to be succinct about it. What I am trying to do is to respond to the points made in your last letter to us. Since we last spoke, we had this session, there was a letter coming from you asking for more information, which we replied to; there was another letter which we replied to; but obviously we have got the chance of exploring whether or not there are any issues outstanding.

The specific matters raised in your last letter to us related to any consultancy work that was done on how streamlining reforms would achieve a $10,000 saving. The second one is research by the GAA on the impact of GAIC on housing affordability, and the remaining points you asked about related to the GAA’s performance and operations for the 2008–09 financial year. Before I go on to that one I would just like to say that clearly the annual report of the GAA is something that will be going to our board this week. It will then be passed on to the minister, who will table it in Parliament in due course.

The CHAIR — We understand.

Mr SEAMER — So it is not appropriate for me to be putting forward that information at this stage. There is nothing in particular to talk about, but now is not the time to talk about that; it has to go through the process. So I will not be making any further remarks to that unless you ask questions, but I am not sure what I can respond to because there is a process in train already for that.

The CHAIR — Thank you for that.

Mr SEAMER — The other issues that you have asked about relate to the urban growth boundary and the urban growth zone, the growth areas infrastructure contribution levy and precinct structure plans. Just briefly with regard to the issue of affordability, there are two issues there: one relating to streamlining and the other one relating to any levies that are applied. Basically, as I stated last time, there was some limited work done by the GAA in looking at the affordability issue. Basically from the point of view of the impact of any levies on the final house price, most of the work that we relied on came from the Productivity Commission 2004 report with regard to first home ownership.

There is a body of work around the world with regard to this particular issue, and I have supplied references to you of those issues. There is quite a range of different analyses of these, but certainly from our point of view I think the Productivity Commission’s is the most substantial and most relevant document to us. We have given you those references, and we can dwell on that a little bit, if you would like.

With regard to the issue of streamlining, the GAA has basically prepared its own analysis of what we think the impacts of any streamlining might be. They have been given to you set out in a letter. In addition to that, there was some earlier work done by Spiller Gibbins Swan, SGS Economics, with regard to affordability issues where they were trying to do a regression analysis on the market conditions. Even though it does not specifically relate to this, we have provided a copy to you. But if you are looking for the consultants report on this sort of issue, that is as close as we have. But really what I would like to refer to would be what was a very
extensive piece of work done by the Productivity Commission in 2004 that relates to this, and if you wish to, we can dwell on that more.

Moving on to the broader topics of planning and Melbourne’s growth, some of these things you will obviously be aware of. Melbourne had 80 000 new people move in last year, well in excess of Sydney. Some of the areas, particularly our growth areas in Melbourne, which we are involved in, are 3 out of 10 of Australia’s fastest growing new suburbs. We are still providing a very affordable and high-quality product in comparison with interstate, and obviously it is the GAA’s job to make sure that keeps up.

Just recently we have been monitoring sales figures, and as you can see from that — the green dotted line is the Melbourne figures — it shows that Melbourne’s affordability position is still strong in comparison with other states. The position vis-a-vis Sydney, that we always tend to look at, has come back a little bit, mainly because Sydney’s position was very difficult. There has been a little bit of a kick up in the last couple of months right across Australia, presumably mostly, I would speculate, because of interest rates but also possibly due to other factors. Basically the point of saying that is that Melbourne is still a very affordable product, and that is something that I am sure everybody around this table wants to maintain.

This histogram is important, and I showed it to you last time. This is just what the targets are for us. The middle one is the growth areas. The 284 000 new dwellings over the 20-odd-year period is the target, and obviously there is a lot of work that has got to be done to bring that about and a lot of infrastructure to be paid for.

With regard to the PSP program — I think I showed this to you last time because it is one of the questions you have asked — last year, in the 2008–09 financial year, for the first time in some years we zoned more land than was being built on or being sold. The typical annual use of land at the moment, given the balance between consolidation, growth and growth areas, has shown typical use of around 12 000 to 14 000 lots per year in the growth areas. Last year we managed to get ahead of that, so we should have made the position somewhat better. Of course during that time, despite the world financial crisis and all that, there have been very intense sales, and hopefully this year we will be able to bring about a better position with regard to that again. This is still work in progress, but these are our predictions at the moment. Obviously one particular precinct structure plan, or PSP, which is Toolern, will have a big influence on that, and that is being worked on at the present time.

The years after that are shown there, and of course these are just the areas inside the current UGB and they do not relate to any decisions that government and Parliament may make with regard to shifting the UGB.

I thought I would, for a second, quickly run through the big picture process, because you have got to put the context to it. In the planning process you start with the really big planning issues, and I think the government has made a number of very substantial statements in recent times, particularly Melbourne @ 5 million, the Victorian transport plan and delivering Melbourne’s newest sustainable communities, which came out in May. Effectively the big driving components of this relate to the UGB; basically, the direction of Melbourne growth. For that I think you should read moving west, which is certainly a key government aim because of the limitations of the east and the distance it is becoming from Melbourne.

There is the regional rail link, which is the single biggest major new suburban development of rail in a long time, probably since Tommy Bent was around — I would have to check my figures on that, though. The outer metropolitan ring-road joining into the E6 is a very significant project. The strategic assessment of biodiversity is a key issue that has to be resolved and is being resolved, and there is consultation going on about that. Then of course there is the precinct structure planning process, which is the next step down where we go into zoning land in detail.

A couple of high-level points on this is that there are government policies in regard to: development within potential or existing public transport corridors, the contiguous urban extensions, resolving biodiversity issues. I will not read all of these out one by one, but if you go down to the bottom of that you will see that the total amount of development land being considered in the announcements in May was some 26 000 hectares of developable land.

The outer metro ring is basically a 70-kilometre ring-road with a 23-kilometre extension to the E6. It includes joining into the Deer Park bypass. This is a road being planned at the present time. It will not be constructed, under present consideration, for at least 10 years, but it is very important that the planning is done early so that things can be designed around it and of course that you can set the land aside. These are the plans I am sure you
have seen in regard to the areas being considered for development or for shifting the UGB. The green and the pink and reddish areas, the land inside, are prospective UGB. Green does not necessarily mean they are parks, but it could also include areas that cannot be developed, so perhaps we should have a few of them a little bit greyer in colour for quarries and things like that. Essentially the pink areas are the areas being considered for development. The reddish area up at the north-eastern end of the Hume corridor relates to a potential site for a freight interchange which is being considered slightly differently to the others.

This is the western corridor, and it is probably the biggest area. The key feature of this is the two transport corridors. One is a road and rail corridor, which is the outer metropolitan ring. The other one is the inner rail, the regional rail link, which will relieve a lot of the congestion on the Geelong to Melbourne rail link at the present time; it is a new railway line. It is a very significant item for Victoria; I think some people talk about $4 billion, but I am not an expert on that, so it is a very significant project. I think what this does is to stress the fact that you have actually got some integrated planning going on where we are putting transport and the land-use plan together. To be perfectly frank, it is always talked about, but it is often not done, so I think this is good in terms of planning. This is on a different scale so it is a little bit misleading, but this is the Casey corridor. For our other growth municipality, Cardinia, there are no changes proposed.

Just briefly, I do not know if you want to talk about it but there are state infrastructure requirements. These are the items that come basically through to where the state gets more involved than others. It does not involve utilities such as water and power, which are done through a number of different areas. It also does not cover some of the council infrastructure, although there is obviously an overlap in sport and recreation and open space and in terms of some of the local roads with what council does. It needs a more detailed analysis than we are able to do today.

I do not think there is a lot of point in going through this again; this is just a quick few dot points on the growth area infrastructure charge. I am sure that most of you have a reasonably good idea of what that is, so I will not dwell on that, but I am sure there might be a couple of questions in relation to that in due course.

In terms of how the planning hierarchy works, we obviously have the major high-level plans for the whole of Melbourne. You then go down to a framework plan, which is really a corridor. This particular corridor on this graph, which looks very interesting but is very difficult to read — I am sorry about that — shows the Casey and Cardinia corridor. The next level of planning is the precinct structure plan which is basically a plan for a new suburb, and the next level of planning is a planning permit where you drill down again into more detail. One of the things that we are doing in regard to planning is to actually link planning permits with the precinct structure plan as a major exercise in streamlining so that you do not have a duplicated process and you can take a lot of time out of the process. Particularly Cranbourne East is one of the areas where this is being used extensively, probably for the first time, and this is one of the ways in which we hope to bring about more streamlined outcomes.

The precinct structure plan is the fundamental document. It is, if you like, the rezoning document. The GAA has a very strong role in regard to these. It is effectively the master plan for the new suburb. It is where a lot of the work is done in sorting out biodiversity issues, transport issues and all the innovations that we want to bring into modern suburban design; a lot of them will come from this area. We basically have 31 still to complete inside the current UGB, and if there is an extension, based on a little bit of work we have done, their are probably another 40 or so to be done outside of that as the years go by, if this all comes to fruition. There is a quick status there of where our PSPs inside the current UGB sit, and if you would like, I can go through in more detail about where they are up to and how those PSPs are progressing.

I think that is then reflected on this map. This was actually done in December 2008, so you will find that a number of the areas that were not commenced at that stage have actually been commenced if you go to the previous chart, which is a few months later. That is what I hoped to present to you today, and with that, I thank you and pass back to you.

**The CHAIR** — Thank you, Mr Seamer. Mr Banks, do you have anything to add?

**Mr BANKS** — No, I do not need to add anything.

**The CHAIR** — Thank you. Mr Seamer, I would like to start by going back to a couple of matters that the committee did regard as outstanding from the earlier hearing in April. The first related to the potential saving
arising from the urban growth zone process, the quoted $10 000 figure that was used extensively by the government in various press releases et cetera. At that first hearing in April you indicated that the GAA had provided some information to government on that matter, and it was that information that this committee was seeking to obtain a copy of. You indicated you would speak to the minister, take advice from the minister and come back to the committee. I am wondering if you can advise us where you have progressed with getting that advice from the minister as to whether this committee can get access to that document, or documents, that went to government.

Mr SEAMER — Sure. In my letter to Richard Willis on 29 May I set out the basis of the calculation that was done by us that came up with the figure of around $10 000. In your first letter I think you were seeking something done by consultants. There was not something specifically done by consultants on that figure; however, there was some peripheral work done in a slightly different way, which I did give your copy of. So you have basically all the information we have got, and the calculation of the $10 000, which is an estimate of how much we may be able to reduce the input costs to the planning process by doing streamlining is set out there. I do not really know that there is terribly much more I can add to that.

The CHAIR — I take it from the letters that we have received from you that this is not actually the document that went to government, is it? The contents of this letter is not the document that went to government.

Mr SEAMER — This is the contents of the calculation we have done in regard to it. I am not sure that we even gave the details of that to government, but we certainly spoke about the $10 000 figure as being a GAA estimate. I have not actually checked what specific documents we gave. If you like, I can actually check whether or not that particular calculation went through, but basically the $10 000 figure was the GAA estimate of what might be achieved from a streamlined process, and that is the basis of our calculation. If you would like, as I said, I can check exactly in what form that went to government and then check with the minister whether he is happy for that to be released.

The CHAIR — That is what the committee understood was happening. We were specifically interested in the documents that went to government and whether the minister was happy for this committee to receive those.

Mr SEAMER — Right, okay. I was not aware of that specific thing, but I thought that my response had probably covered off on it. I am just checking what we said in our second letter to you.

The CHAIR — At page 11 of the transcript of the April hearing you indicated that, to quote:

We would be happy to check with the minister and see whether he is comfortable with that being made available, and if that is the case, it will be provided.

That was our expectation of what you would do.

Mr SEAMER — If you could just bear with me, I am just checking my last letter to you, because I thought we had covered off on that. In your expanded request that you sent me on 10 June you were asking for the consultancy work undertaken by the Growth Areas Authority for the government. The only consultancy work that was done is the consultancy work that I have provided to you. That is the response that I have made in that letter. I want to make sure that we do actually give you what you are asking for; okay?

The CHAIR — Yes, absolutely.

Mr SEAMER — I do not have any problem with that — and to go through the process, but I thought that in that, you had asked a specific question in June and we gave you a specific answer which I felt covered off that point, but if I am missing something or if there is an expanded point, I am happy to follow that through.

Mr GUY — Can I just ask: the material provided, is it a summary or is it all of the material that was provided by the consultant, not a précis or a summary — that is, everything?

Mr SEAMER — You have a copy of the SGS report that was — —

Mr GUY — Not just the SGS, the other stuff, everything.
Mr SEAMER — What was the other stuff?

The CHAIR — The material that went to government.

Mr GUY — That is what we asked for in this committee.

Mr SEAMER — In regard to affordability?

Mr GUY — The material that was provided to the minister in regard to affordability, in regard to the way the GAIC was established, the options given to government — everything.

Mr TEE — Hang on a minute, that is not what the letter said; that is not the request.

Mr SEAMER — No, that is not what you have asked for.

Mr GUY — No, that is what we asked for in the hearing. You might have been asleep, but that is what we asked for in this hearing.

Mr TEE — No, I am just reading from our letter of 23 June. That is not what we asked.

The CHAIR — Mr Guy, Mr Tee — —

Mr GUY — No, no, go back and look at the Hansard transcript.

Mr TEE — I am just telling you what we asked him in writing by way of follow-up.

Mr GUY — Flick through and have a look in the Hansard transcript.

The CHAIR — Gentlemen, when you are finished.

Mr TEE — We asked him for specific material, and that is what he has answered.

Mr GUY — No, that is not what we asked for.

Mr TEE — It is what is in the letter.

Mr GUY — Look at the Hansard transcript.

The CHAIR — Mr Tee, Mr Guy! Order!

Mr GUY — Hansard.

Mr TEE — Letter.

The CHAIR — Mr Seamer, the undertaking you gave on page 12 of the transcript with respect to obtaining the minister’s approval to provide to this committee whatever you had provided to government, those are the documents that the committee was seeking by way of this request. If the letter from the secretariat was unclear about that, I apologise, but what we were seeking with respect to this matter was the advice that went to government if the minister agrees to it.

Mr SEAMER — Because I do not want to get this wrong, I would just like to be quite specific, because what you have asked for in the past is not this broad-ranging. You are asking for specific, I thought it was, consultancy work in regard to the affordability issue and how it would impact the $10 000. I believe we have given you that material, but what Mr Guy is saying is something different; that is all.

The CHAIR — Yes, I understand you have given the SGS material, but what we are seeking — —

Mr GUY — I will go and find it for you in the Hansard transcript. It is not different. Again, you all might have been asleep, but it was very clear.

The CHAIR — Mr Guy. What we are seeking is the advice that went from GAA to government.
Mr SEAMER — On?

The CHAIR — On the issue of affordability and the $10 000 estimate.

Mr SEAMER — Advice from GAA to government on affordability.

The CHAIR — What we are seeking is a copy of that advice that went to government, if the minister is agreeable to provide it.

Mr SEAMER — Certainly; okay. The gist of it is what you have, the only consultancy report you have. I will go away and I will check line and verse about what was actually provided through to the minister’s office. I will check with the minister’s office in regard to their view about that, and I will come back to you in the near future about that.

The CHAIR — Thank you. With respect to the $10 000 figure, having read the SGS advice that GAA received, that is the basis on which the $10 000 figure has been used, that SGS advice?

Mr SEAMER — The basis of the $10 000 figure is what is set out in our letter of 29 May. The SGS work was a different approach to the same issue. They were basically trying to assess historic patterns of value against supply. The work that the GAA was doing was approaching the same topic from a different point of view, which was actually building up from the point of view of holding costs and things like that. Broadly the figures came in roughly together. I think the SGS figures were $10 000 if there was a two-year saving and our figures were probably a little higher than that, but we brought them back to $10 000 per block on the basis of what we had was what we saw as a conservative analysis. So the basis of the figures is the GAA figures, but the sort of work that SGS did broadly reflected that type of outcome. There is a huge number of factors that affect affordability, and you cannot just pull out one or two of them to come up with the answer. If it is the job of the GAA to try to make an estimate of those, that is what we have done and that is what we have given to you.

Ms BROAD — Thank you for your evidence today, Mr Seamer, and your responses to the committee’s request. Could I follow up particularly in relation to your response which refers to the impact of the growth areas infrastructure contribution levy on housing affordability? Housing affordability is a matter of great importance. In your response you have drawn the committee’s attention in particular to the report of the Productivity Commission on first home ownership, which as I understand it canvassed housing affordability in a very detailed way, including first home buyers. Could you elaborate for the committee how you believe that report supports the view that the authority has taken in relation to the impact of developer contributions, levies in general, on housing affordability and in particular how it relates to what is proposed for the growth areas infrastructure contribution levy?

Mr SEAMER — Thank you, Ms Broad. The Productivity Commission’s report I think was a fairly major driver for the decisions even before the creation of the Growth Areas Authority, but it has certainly been fairly fundamental in the philosophy underlying the introduction of some form of charge to offset part of the cost of infrastructure involved. The Productivity Commission concluded effectively that the impacts of any levies like this are fairly minor in the bigger picture of things and the positive values of getting infrastructure in a bit earlier probably would outweigh the affordability impacts. I will not dwell on that particular point, but they were clearly of the view that the major drivers of the affordability related to other areas. Just to quote:

Cheaper and more accessible housing finance is a central part of the story.

… a halving of the interest rate almost doubles the mortgage potentially obtainable …

I think if you look at what happened in Australia around the time that mortgage rates were going down — going back since 2000 — the issue of the actual availability of finance is probably one of the biggest drivers, plus a few other things, like immigration, demand and things like that. One good thing that came from the Productivity Commission’s report was that this is a charge that does go under the process but its impacts are not that significant. That is one of the conclusions that was drawn.

Ms BROAD — Thank you for that response. On the matter of what are the drivers, then, of housing affordability, which the committee has taken a keen interest in — and it is seeking to place the growth areas infrastructure contribution levy in that context — there are also inquiries and responses from you in relation to
supply of land in the growth areas. I think it would be fair to say that in addition to supply of land housing diversity is also a key factor in housing affordability.

Mr SEAMER — Yes.

Ms BROAD — We have certainly seen in existing urban areas major impacts on affordability as a result of lack of housing diversity for young people seeking to establish home ownership or, for that matter, older people seeking to downsize and remain in the same area where they have spent a great deal of their life. In terms of those factors in housing affordability can you indicate for the committee’s benefit, further to the responses you have given to the committee, how you see those factors and how you see them particularly in relation to the levy impacting on housing affordability?

Mr SEAMER — As I said previously, there is a wide range of drivers for affordability, some of which are in the control of the GAA, the state government and councils, and some of which are not. The sort of things that are in our control are things like the type of planning we do and the type of houses that are created. In one of those letters I sent you I provided to you an averaging of what sort of densities are being achieved in the growth areas. Now the sorts of densities being achieved are in excess of 15 per developable hectare, which is a target, if you like, on average. It is good to see that happening. In fact it has got to the point that while it is being driven by the planning industry, if I could use that term, it is also being driven by home buyers now, because there are changes in people’s desires about what they want to buy. People are making decisions about smaller homes.

One of the other issues — this is slightly peripheral, but I would like to make the point if I can — is that you used the words ‘variety’ and ‘flexibility’ in terms of what sort of houses we want to supply. I think that one of the biggest issues for the GAA is to have a whole range of different housing types that suit a whole range of different people’s needs. They will be the single-bedroom units and they will vary up to what we see as more conventional housing. But what we want to do is get the average density to a higher level. That is currently being achieved, and I see that continuing to accelerate both through planning policy and also through just people’s desires about what people want to buy these days. It seems that people do not want their Victa out every Saturday afternoon any more and they are looking for a different sort of product out there.

In regard to where all this fits in, we understand that in the work out there of the Productivity Commission in particular but also the work of the Australian Housing and Urban Research Institute, AHURI, they actually talk about some of the key drivers. Some of the things that they talk about are difficulties and delays in obtaining planning approvals and things like that. That is why the GAA — the government is telling us to do it, and I suppose the GAA is trying to do it — is trying to accelerate planning and get a streamlined planning process in place. As to where that is up to, I have shown you the sorts of planning that we want to do. We want to improve the quality of planning, but we also want to improve the timeliness of it. I have shown you what our plans are and how we think that will happen and how we will get to a point of achieving the government’s targets which, if I recall correctly, are also the targets set out in the Productivity Commission’s report. I would actually have to check that point, but I do believe they are the same targets. What we are trying to achieve is basically a better supply of more varied housing.

Then of course there is the whole topic of what our new suburbs look like. We have done a lot of work on new guidelines for what will go into new suburbs. I am hopeful that the minister might be in a position to launch something on that in the future. We are trying to achieve more variable suburbs; suburbs that are far more sustainable than they have been in the past. One of the issues we get most fired up about — and our chairman is the strongest of anybody on this — is the issue of how to get employment into the growth areas in a much more local way. If you go back 30 years, we were creating dormitory suburbs. The aim of the GAA is never to create more dormitory suburbs; it is to create full suburbs that have the full, varied range of things we all need in our local areas — from trendy little cafes or whatever people want to proper jobs of a varied nature, to schools that are accessible, to footy ovals that you do not have to drive halfway across Melbourne to go to because these things are actually provided more locally. That is one of our big aims, but it will not happen overnight. Hopefully planning guidelines will assist in that, and that is something we are working on at present.

Ms BROAD — Can I ask you to draw out particularly then — given that the focus of the committee’s inquiry has been significantly around the matter of how much impact the levy would have on housing affordability — how you would rank the levy in relation to housing supply and density, which are two factors you have referred to. I am not asking you to quantify it, but to put it in relative importance.
Mr SEAMER — Okay, I am with you. If you are talking about developed land supply, if you can cut, for example, a couple of hundred square metres off a typical housing block, that will be far more valuable than the cost of a levy — if that is where you are leading to. The really big drivers of housing will be a range of factors, including, as I said before, interest rates and supply. As you know, if you have an inflexible supply regime, when there is a sudden surge in demand prices go up very quickly. What we are trying to do is cover off a whole range of things. In comparison, a levy of the sort being talked about would not be as significant as those other items. I would have thought that the benefits of streamlining the regime, as just one point, would be greater than the costs of the levy.

There is also the issue of at what point the levy gets applied. While there is no particular really strong piece of work I have been able to find on this, would it be offset against a potential profit on land, or would it be charged right at the end of the process so that effectively it would be paid for by the homebuyer? Presumably the earlier you can move it the more benefit it will have. That is just another issue of us trying to reduce the impact on the homebuyer.

Mr BARBER — If we are charging people $80 000 to $90 000 per hectare and, as you are saying, it is coming out at about 15 lots per hectare at the end of the process, is it fair to say that this charge equates to about $6000 or $7000 per lot at the end of the day?

Mr SEAMER — They are slightly different, because one of the areas is measured as a net-developable hectare and the other one as the area zoned UGZ, and there would be a slight difference between those. Other than that, how much it is would be a simple matter of division.

Mr BARBER — In New South Wales they have their charge, which I think is about $25 000 per lot, and they claim that covers about three-quarters of the infrastructure at each development plus the land on which schools and police stations might get built, but not the actual buildings themselves. Have you done any similar analysis to work out what proportion of infrastructure this thing is likely to cover?

Mr SEAMER — In terms of the state infrastructure requirements — not including things like the regional rail link or the freeways, not including water supply and all those sorts of things that are done by the utilities and not including the things that are part of the council charges, which are in fact in excess of any potential state charges — we have estimated that the figures would be roughly around 15 per cent of the total state charges. Presumably that other 85 per cent would be paid by the wider Victorian community and the 15 per cent would be paid either by the people selling the land, through a GAIC-type structure, or by the developers and/or homebuyers, through something applied later in the regime.

Mr BARBER — Even if you have done that exercise and you say 15 per cent, the question still remains: 15 per cent of what? What are we talking about in relation to the infrastructure? If you could give us some more information on that, I would be happy to receive it. Obviously you cannot necessarily compare New South Wales and Victoria, depending on what infrastructure we are delivering.

Just to jump around a little bit, though, in relation to the proposed freight handling interchange up in the Beveridge area, which was in your chart before, can you tell me what GAA’s role is in planning for that?

Mr SEAMER — While GAA has had a peripheral role in regard to the planning work for that, this is essentially a piece of planned future transport infrastructure that is being driven by the Department of Transport and incorporated into the broad level plans by DPCD. While the GAA is certainly aware of it and our staff, along with the staff of the other departments, have been involved in it, any questions about that would have to be addressed to the DOT. It is not really something for me to comment on if for no other reason than a lot of people know a lot more about it than I do.

Mr BARBER — Yes. But I am asking what your role is in the planning process. What parts of your work interface with this particular development?

Mr SEAMER — Presumably after the government, approved by the Parliament, makes decisions about a UGB shift, framework planning and in particular PSP planning will be required for different areas. At some stage or another, depending on government priorities about its freight handling, it would be the GAA’s job to undertake a PSP for that area. Presumably that would be some time down the track.
Mr BARBER — Yes. But is your assumption that the government is the proponent of this project?

Mr SEAMER — The government is the high-level planner of this. If you are asking who will be the owner and who will be paying for the tracks and all that, that is not something I can comment on. We are not involved in issues on that side of the equation.

Mr BARBER — So you have not been made aware that at some point there will be something like a public acquisition overlay to acquire the site for the purposes of the government to propose it?

Mr SEAMER — We have not been actively involved in the process of the mechanisms behind that. Those sorts of processes are available to government if they choose to use them. From the GAA’s point of view in particular, we are a mid-to-high-level planning authority, but that very big freight work is DOT work. You would have to address that question to them.

Mr BARBER — It is just a big blob on your map at the moment?

Mr SEAMER — It is a big blob on the government’s map at the moment; correct.

Mr BARBER — Back on to the growth areas infrastructure charge, I am still struggling to get clear in my own mind a number of variables associated with the increase in the value of the land. There is the amount of the uplift from the valuation of the land at the time the government intervenes to the time it is first sold, and there are some arguments about what that multiple might be. There are obviously some variables around the percentage of the land that could be developable — there are floodways and so forth — and there must also be a variable associated with the timing, as to whether that land will get its PSP and be developed in a few years, in 10 years or in 20 years. With all those different variables that I have mentioned, is it fair to say that the rate at which the tax will be levied — from the point of view of the person who has to pay it — could vary by anything from 40 per cent to 60 per cent of the increase in value?

Mr SEAMER — Without wanting to put a particular figure on it, yes, the rate, presumably having a flat levy which relates to the cost of the infrastructure involved, so that is one of the reasons why it is flat, would vary as a percentage of the value uplift.

There are two ways of looking at the percentage uplift. Firstly, there is the percentage of the total sale price; the other way is how much somebody who owns land gets a percentage uplift on their land. They are two quite different things. For example, if you have very expensive land, you are likely to have a smaller percentage of a GAIC-type structure taking out of the final sale but a smaller value uplift. If you have got land that starts at $300 000 and goes to $600 000 or something, it is going to go up; whereas if you have got land that is in the outskirts of Hume, the northernmost point or something like that, what you will find is that there presumably would be a higher percentage of the final sale, but a greater percentage increase in the actual value of land that would go up. There are two sides to that particular coin and putting the figures on it, it will vary, and both of those will vary.

Mr BARBER — I expressed it in terms of the latter, in terms of the valuation uplift.

Mr SEAMER — Yes.

Mr BARBER — So are you happy to acknowledge that as a proportion of that, the tax could vary from 40 to 60 per cent, and that is the phenomenon that we are trying to tax here, okay?

Mr SEAMER — They are your numbers, but the principle is correct.

Mr BARBER — I am asking for your numbers, I suppose, because you had Charter Keck Cramer do an exercise which you have referred to. Have we got a copy of their report?

The CHAIR — No, I do not believe we have.

Mr SEAMER — On the valuation uplift, you are seeking from what the value was, say, before the UGB was drawn, to what someone might sell it for after it was included in the UGB?

Mr BARBER — Recognising valuation is a concept, it is not like a sales data — but, yes.
Mr SEAMER — Yes. Could I take that on notice and come back to you, because I do not want to speculate about numbers without having a think about it? I would like to do that, if it is all right.

Mr BARBER — Sure, but I presume you must have collected, or Charter Keck Cramer collected, data about valuation versus valuation, or even sometimes sales versus sales, and if we had all the information on a kind of frequency histogram and applied $80 000 or $95 000, it would be pretty clear to see what the variation in different effective rates of tax would be.

Mr SEAMER — Correct.

Mr BARBER — Is that an exercise that you did along the line somewhere?

Mr SEAMER — We have obviously done some work along those lines. Everyone knows there was a Charter Keck Cramer report done very early on which looked at the value of land inside and outside the UGB. That data is collected on the basis that it is site specific. It cannot be released in that form. If it were to be released, it would have to be re-done on a different form and then put out. We would have to prepare a special report to actually put out generic date, and we try to monitor current sales.

There was an interesting sale the other week — there are not very many of these big broad-hectare sales — where Stockland bought some land in Leakes Road, Truganina, and that sold for $450 000 a hectare on the basis that the PSP was in place; that gives an indication of the sorts of values. The underlying value for that land, without wanting to be too specific, was probably around $20 000 a hectare. So the valuation increase, when that goes through, which is probably a year or two away, is fairly significant.

Mr BARBER — But that is another variable, is it not, the size of the plot?

Mr SEAMER — It is not so big. A lot of people talk about that. There are lots of variables, do not get me wrong, but I do not know that the size of the lot is that significant an issue. I think there are a whole lot of other factors that are far more important. It does not matter for the point of today’s discussion, but I know that one is often raised and I do not see it is that big an issue.

Mr BARBER — In this sales data that you analysed, or valuations data, how many different sales or valuations did it cover?

Mr SEAMER — I believe they had taken into account all of the relevant sales that they had information on for a period of time, but as I say, these are bigger broad-hectare sales inside and just outside the UGB. There were not that many of them. I do not know the exact number, but you are not talking hundreds; and you are not talking tens either, so there might be 30, 40 or 50, I do not know, something like that. I would have to check to give you an accurate figure of what that number would be.

Mr BARBER — You have referred to the work in one of your fact sheets. If we are able to see it or understand its basis, as it is, almost a central question here, that when we are taxing a certain phenomena, then we want to understand what the effective tax rate is. If that is different for every person, then there is an equity issue to be addressed.

Mr SEAMER — Yes. There is the flipside of that which is that the actual cost of undertaking the infrastructure to make the land available for development is not so much — —

Mr BARBER — It is the same for everybody.

Mr SEAMER — It is the same for everybody, so there are two ways of looking at it, but those issues are not an issue for the GAA. They are more an issue for others.

Mr BARBER — You referred to draft legislation, so does that mean it has been drafted, or you have played a role in drafting it?

Mr SEAMER — The role of where draft legislation may or may not be up to is an issue you would have to raise with the minister. We are aware that there is work going on about that, but it is not my job to respond to legislation.
Mr BARBER — You refer to draft legislation in your fact sheet, so it makes it sound like there is a draft bill sitting somewhere. I presume you are clarifying it is more about inputs to a drafting process?

Mr SEAMER — I may have already answered that question, Mr Barber, I think. I do not think there is much more I can say. The issue of the drafting of legislation is not an issue particularly for the GAA. We certainly have an involvement in the more technical aspects of how it might work. We are not the people that draft legislation.

Mr GUY — Thanks, Mr Seamer, Mr Banks. Could you tell me what is the total tax take that you are expected to gain, or the government is forecasting to gain, on the current model of growth areas infrastructure charge?

Mr SEAMER — In our last letter to you we sent you the details of what that might be, and they, I believe, were reflected in the position of the government’s budget this year. In the letter of 29 May I set that out. I can read them out for you if you would like me to.

Mr GUY — If you could read them into the Hansard transcript.

Mr SEAMER — The estimate for the 2009-10 year, and that was done a little bit earlier — obviously if the legislation does not go through a little bit later then those figures will not be realised in that form — was some $84 million in the first year, some $50 million in the second year, $46 million in the third year, and $46 million in the fourth year. They were the figures that were being talked about.

Mr GUY — The minister mentioned a figure at a press conference of $2 billion over the forward estimates. Does that correlate to the figures that you have been provided with?

Mr SEAMER — I have just told you what I have provided to you.

Mr GUY — So there is no difference in figures whatsoever? The minister says $2 billion and the figures that you are quoting which are in existence from the budget on the current model, that is all you will make out of the GAIC in four years time?

Mr SEAMER — Yes, that is the estimate.

Mr GUY — Could you tell me, has there been any final consideration as to how much of that money will be sent off or for Growth Areas Authority management?

Mr SEAMER — As set out in the letter to you, there are two different funds. The first fund is a fund that would be dedicated to presumably fairly heavy infrastructure, and the second one is a fund that is somewhat more flexible. In the government’s announcement in December last year it announced that some portion of those funds may be applied to some of the Growth Areas Authority’s costs. There is no more definition than that. The government also announced that it would be taking input from councils and presumably others about how the money from that second fund would be spent.

Mr GUY — Have you been provided with any definition beyond that?

Mr SEAMER — No.

Mr GUY — The government is on the cusp of introducing legislation to Parliament which would see a major portion of your authority’s revenues increase, and you have not been provided with any details as to how much money you might be availed of over the forward estimate period?

Mr SEAMER — I have already answered that question, and the only comment is that presumably any moneys going to the GAA would be towards the planning costs, the PSP work, if there were to be some provided. That is an issue for government in budget.

Mr GUY — It sounds like it.

Mr SEAMER — In this year’s budget there is no specific allocation made for the Growth Areas Authority from any GAIC. It is funded out of normal revenue.
Mr GUY — As a comment, there seems to be a fundamental disconnect in that sense. If the minister is talking about $2 billion, we are talking about $200 million and there does not seem to be any — —

Mr SEAMER — If I may, Mr Guy, I presume that any larger figure would be over a 20-odd-year period rather than that.

Mr GUY — Is the government considering any changes to the GAIC system — the timing of it — that you are aware of?

Mr SEAMER — The government is continually looking at the GAIC issue. Where the government is up to in regard to it is probably an issue best addressed to government.

Mr GUY — Have you been lobbied whatsoever or approached either by industry groups or government for a change in the methodology of the timing of the GAIC?

Mr SEAMER — I have certainly been approached by a range of people, including some of the industry bodies, in regard to different formats for a levy, yes.

Mr GUY — Has there been any material, external or internal, provided as a recommendation to government on the possible financial impact, housing affordability impact or timing impact of changing the model or the methodology of the GAIC as it currently stands?

Mr SEAMER — There was some information provided to the minister in regard to what that impact may be.

Mr GUY — Could we have a copy of it for the committee, please?

Mr SEAMER — That would be an issue for the minister, but once again I can raise the issue with the minister and see if he is comfortable to provide it.

Mr GUY — It was produced by the GAA?

Mr SEAMER — It was produced by the GAA.

Mr GUY — The GAA markets itself as an independent statutory authority, so I ask again: is there a possibility that we could have the material without it being vetted by the minister, or is the way you market yourself not an actuality?

Mr SEAMER — As you are totally aware, Mr Guy, one of the roles — probably a primary role — of the Growth Areas Authority is, with a degree of independence, to actually advise the minister. I think in the standing orders of these sorts of committees presumably one of the key things that we must do is to actually maintain our relationship of what we actually provide to the minister. I will find you the words if you like. I cannot basically sit there and make comments about information provided to the minister for his discretion. It is not my job to do that.

The CHAIR — But you will check with the minister and come back to the committee?

Mr SEAMER — I will check with the minister.

Mr GUY — At the last hearing we talked significantly about a line from your annual report, which reads:

Streamlining planning reforms are estimated to produce savings of around $10 000 per lot for homebuyers in the growth areas.

We subsequently found that obviously that is not the case — land is not $10 000 cheaper in growth areas — however, the material you provided to the committee did state:

The GAA has concluded that the removal of one year from the time taken for zoned lots to be available will have the impact of putting downward pressure on housing lot prices of up to $5000.

The SGS material that you also provided went on to state — in fact, it is what you have written here — that $5000 on a $300 000 land package could be saved for every year that is taken out of the delay for first home buyers. You were talking to Ms Broad before about housing affordability and the necessity to put a GAIC at the
earlier part of the planning stages. Officer was brought into the UGB in 2002. My understanding is it has not had an approved structure plan brought into the Cardinia planning scheme. Would you say that government red tape, and indeed the GAA itself, has accounted for around $35 000, on your own figures, of upward pressure on land prices to first home buyers from planning delays?

Mr SEAMER — No. The Officer project has largely been driven by the relevant council. We are working closely with them and gradually becoming more and more involved in that one. The overall price of land is not going to be determined by one specific PSP. It will be done across the whole of the market and probably on the basis, to some extent, of corridor-type activity. So you find at the moment that land prices in the Casey-Cardinia corridor are significantly more expensive than some of the other corridors. The key target for us would be achieving overall outcomes for the whole of the corridor. There are two parts to Officer; there is an employment part and there is a residential part. The residential part is presumably the part you are referring to, and we are hopeful of having something completed around the middle of next year for that. It is progressing reasonably well in a very complex environment.

Mr GUY — So let me get this right. What you are saying is that government, whether it be local, state, GAA or whatever, has no responsibility whatsoever for the delays it has incurred or it has caused in those areas — that does not matter; that is of no consequence — but there is a necessity to impose the GAIC on the land-holder because it will aid housing affordability, because the quicker that land is brought to market, the cheaper the land will be.

Mr SEAMER — No. They are your words; they are not mine. I do not agree with that.

Mr GUY — They are an interpretation of your own.

Mr SEAMER — No, that is not my interpretation in any way, shape or form.

Ms BROAD — That is your interpretation, Mr Guy.

The CHAIR — Mr Seamer is capable of answering. Mr Guy, do you have a question for Mr Seamer?

Mr GUY — If you do not understand it, I am happy to read it out for you again. I know you had trouble at the last committee hearing; I am happy to read it to you again.

Ms BROAD — It is pretty heavy verbalising.

Mr GUY — I will read to you what the minister has said. The planning minister came out and said in Melton:

If you don’t want your land in the UGB, please let me know, please let me know, and we won’t zone.

Is it realistic from a GAA perspective to zone land out of the urban growth boundary that has been incorporated in an investigation area? Can you do it?

Mr SEAMER — I do not particularly want to comment on the minister’s comments. I have not seen exactly what he said. Presumably one of the issues that we have always made clear is that if people have land that, for whatever reason, is undevelopable, then it does not have to be zoned UGZ. As to what the minister may or may not have said, it is an issue for the minister.

Mr GUY — Okay. We will forget the minister’s comments, and I will just ask this of you: is it realistic to zone land out of the urban growth boundary if someone sends you a letter and asks to be taken out?

Mr SEAMER — It can be done, but whether you would want to do it or not is another issue.

Mr GUY — What processes have been put in place to achieve this aim?

Mr SEAMER — The processes are the standard planning processes set out in the planning act. There are no new processes being suggested, and I am sure you are aware of the processes that would be undertaken, Mr Guy. There is no special process particularly going on here.
Mr GUY — The planning minister in this state has made a pledge that if people want to be zoned out of the urban growth boundary — and he has made this pledge in Melton and in Parliament — they just have to write to him or to you, so I am asking: what processes have been put in place? He made the promise a month ago, so what processes have been put in place to make this happen?

Mr SEAMER — I am not aware of the minister having said that in those terms. What I will do is follow it through, and if there is a government position in regard to undertaking something, that can be looked at, but that is certainly not my understanding of where it sits at the moment.

Mr GUY — That is another fundamental disconnect. With the land prices, I note that the minister in Parliament and indeed publicly has stated that the basis of the growth areas infrastructure charge as it stands now is — and again I will use his words — that there is a tenfold gain, or a tenfold uplift, in land values that are brought into the urban growth boundary. Do you support the statement that it is a tenfold gain for land being brought into the urban growth boundary?

Mr SEAMER — In some cases it is, and in some cases it is more than that and in some cases it is less than that. This is an averaging process. There are a variety of different outcomes. As we were talking about before with Mr Barber, if you have got land that is sitting just on the outside of the UGB, you have already got a great deal of speculation on that land’s value. In terms of the underlying value of land going from farming land up to UGZ land, presumably the amount of increase would be much greater than that. Then you have hobby farming land and land that is being speculated on, so there is a whole range of different values.

Mr GUY — I think you are quite right in saying there is a whole range of values. In fact I have in front of me details from an auction a couple of months ago in Officer where I note that the government claims that people will have a significant uplift in their land. It is 9 hectares, it has one house on it, and it is valued at $1.5 million, which is $165 000 per hectare. If we were to minus a $95 000 GAIC from that, the owners of this property would be left with $70 000 per hectare. I simply ask: do you have an average figure as to what the uplift increase would be of land brought into the urban growth boundary?

Mr SEAMER — How big was that property, Mr Guy?

Mr GUY — It is 9 hectares.

Mr SEAMER — In a property like that a lot of the value of the land is probably related to the house and things like that.

Mr GUY — You are not seriously telling me the dwelling is worth $1 million, are you?

Mr SEAMER — I do not know that sale; I try and keep up with them, but I do not know that one.

Mr GUY — It is three-bedroom house with one bathroom. The dwelling is not worth $1 million.

Mr SEAMER — What did it sell for?

Mr GUY — It sold for $1.49 million.

Mr SEAMER — The 9 hectares.

Mr GUY — That must be one hell of a bathroom.

Mr SEAMER — Yes, it is a good bathroom.

Mr GUY — It might be like the one Tom Roper had brought into his office at the end of the 1990s.

Mr SEAMER — I am not that old, Mr Guy. I am sorry, I would have to do some figures on that.

Mr GUY — What I am asking is: does the GAA have any calculations that it has either produced for itself or given to government about the average uplift or the average value increase across the urban growth boundary in the investigation areas?
Mr SEAMER — I would have to go back, but I believe there are some figures around that show that on average the value of land outside of the UGB that was probably valued at hobby farm-type values without a house on it but which has gone to being land inside the UGB has increased by around the 10 times figure. It gets down to those Spiller Gibbons Swan figures; we would have to do some more work on that to give you an exact figure.

Mr GUY — With respect, surely in constructing a policy that is worth $2 billion there must be some material or indication presented as to what the average uplift is going to be across certain areas and certain growth areas of Melbourne for people who are rezoned. Whether you are dealing with hardship provisions or future hardship provisions, you must have some indication of how much land is going to go up in price.

Mr SEAMER — Yes, we do have, and the sorts of figures that were talked about were the figures we put in that fact sheet. We said that from the figures we had available the range of prices, if I recall correctly, was $225 000 a hectare up to around $450 000 a hectare. Since that time, to my understanding, there have been some sales well over $500 000 a hectare. I do not want to go line and verse on that, but as I recall in the fact sheet the range given was $225 000 to $450 000, and they were based on substantive data. That is the figure that we have basically gone out publicly with.

If you look at the underlying value of the land, if it was based on farming-type values it is nothing like $225 000. If it was based on hobby farming, which is probably the correct underlying value, even at the $225 000 you are probably talking about $20 000 or $25 000 a hectare. It is hard to bandy figures around, but they are the sorts of figures that I understand are out there.

Mr GUY — The government is marketing and indeed the GAA is saying that the levying of a GAIC on the land-holder is the fairest way of implementing this new tax. Why is a hardship panel necessary for a tax that is supposedly fair?

Mr SEAMER — The aim of the exercise is to make it fair. One of the things I have found in discussing a levy like this with the probably several hundred people I have actually spoken to about it is that everybody is in a slightly different situation. You will have on one hand the big developer or a very large landowner with very large tracts right down to someone that has a house on a quarter-acre block, and they all have their own issues. The aim of a hardship committee, which is a similar sort of structure to what they have for land tax, is to ensure that if there are some circumstances brought about that were unexpected or if someone is in a particular situation, then it is not just a flat take-it-or-leave-it approach, it is trying to look at people who really will be in hardship. I personally think it is a good thing, but it is not that easy to say whether it is a fair tax or not a fair tax. Basically, what we are trying to do is to make it as fair as humanly possible and to spread the load of the tax and to make it work as well as we can. I do not know what else I can add to that.

Mr GUY — With respect, if you could find land in Officer in the last five years worth $30 000 per hectare, I think you should also look for the Loch Ness monster!

As I was saying to Mr Barber, there are two ways of looking at this levy. One is to look at the amount of the final sale price. The other way is to have a look at how much value uplift the landowners are getting and whether or not as a community we feel that they should carry some portion of the burden of the costs of making the infrastructure so that this land can be used for urban use. That is an issue which presumably you will all be involved in.
Mr SEAMER — Yes, but that is because there has been a huge amount of speculation already going on. If you want to go back to what the figures were at 2000, you will find that a great degree of speculation has already gone on and people who have had land for the last 10 years will have done very well out of the exercise.

Mr GUY — I am still questioning $30 000 a hectare. I wonder if there is any data that you have had prepared or that you are aware of about the effect the GAIC in its current timing may have upon equity in people’s properties — that is, if the property is worth a certain amount of money and the GAIC actually exceeds the amount that is paid off on this mortgage.

Mr SEAMER — Presumably the property has a value which will be dependent on whether or not a GAIC is applying to it. We have had long conversations with the banks about this issue, and their view is that right at the moment they are valuing properties without the GAIC and they are lending money on the basis that there is no GAIC, and if the GAIC comes in, they will do it on the basis that there is a GAIC. That is the feedback I have had.

Mr GUY — Do you have any of that in writing?

Mr SEAMER — I do not think so.

Mr GUY — I just say that because there are mortgage institutions, some of those major banks in the northern part of Melbourne, that are refusing people loans on the basis that they have possibly no equity left in their property as a result of the growth areas infrastructure charge. Are you or the government aware of any of those examples?

Mr SEAMER — I am not specifically aware of those examples. I have had conversations with the banks about this. Their response to me — I do not believe it was in writing — was that things would be valued on the basis of the way they sit at the moment, and if there was a change, then there would presumably be a change in the value of the land concurrent with any GAIC implementation.

Mr GUY — So despite an uplift factor there is a possibility that with the introduction of the GAIC as it currently stands people may be left with no equity in their property because they have a GAIC attached to it which is greater than the amount they have paid off.

Mr SEAMER — I do not believe that circumstance would apply.

Mr GUY — I believe that is fact.

Mr TEE — I believe in the Loch Ness monster!

Mr GUY — I am not surprised that you do. Thank you, Chair. I will have some questions a bit later on.

Mr KAVANAGH — Thank you for your presentation. Firstly, on trigger points, you mention in the documents that there are different ways of triggering a payment, or there could be: you could structure it in different ways, and it is structured differently in other states. Would it not be fairer on present landowners to make it payable at the point of a permit application rather than a sale?

Mr SEAMER — Certainly putting it at some point of development — a subdivision or something like that — will reduce the load on the land seller, but that puts the load on the homebuyer. One of the issues that we all have to consider, presumably, is how that load should be best distributed. By and large the developer passes on the charges across the bigger picture. So the person who is ultimately going to be paying for it will be the person who either sells the land or the person who buys the house. Ultimately that is how it will work out. How that gets distributed is really the issue of the timing of the GAIC. As you say, in some other states they have a state charge that does apply at the end of the process. The rate is a lot higher than we are proposing. New South Wales, I think, reduced its rate by half and brought it down to around $175 000 per hectare — please do not hold me to task on that, but I think it is roughly that sort of figure. That is applied later in the planning process. That is double what we are talking about.

Mr KAVANAGH — Wouldn’t the GAIC be built into the price of the house ultimately, whether it is paid by the landowner or the permit applicant?
Mr SEAMER — I think to some extent some of it will be passed through. The issue would be that if you have good land supply — raw land supply, if you like — and you have the levy applying at the early stage in the process, then less of it is going to be passed through than if you have a different structure in place. Obviously if there is enough land for developers to buy and they can go out and do a good deal that suits them, then it is more likely to be offset against the cost of the land that they buy than it is if it is a subdivision.

Mr KAVANAGH — The way that the GAIC is going to be structured will be a set rate per hectare, of course. Would it not be a lot fairer to make it a proportion of the value of the land that is sold rather than a set rate?

Mr SEAMER — This gets back to the point I was trying to make to Mr Barber. There are two ways of looking at this: you can either make it a proportion of the final land sale — a third of the cost or something — in which case in order to avoid people manipulating the system you would have to have it on every sale, which is the sort of structure you get around stamp duty at the moment; or you would have to charge it as a percentage of the value uplift that they have received. In the past these types of mechanisms have been very problematic. You are talking about a lot of money here. The extent of the value uplift is something that usually ends up getting brawled through the courts year after year. It has proven not to be particularly workable. The question is whether it should be a percentage of the final sale or whether it should be a percentage of the value uplift. If you do it as a percentage of the value uplift, for example, if I sell my piece of land to Mr Banks, who happens to be my brother-in-law — not in this particular instance, I might add — you actually pass it on. There are all sorts of things you can do to manipulate the system, and these sorts of structures have not worked very well in the past.

The other point is that the cost of providing infrastructure, ignoring the cost of land, can be said to be something that should be evenly distributed. It does not cost that much more to provide so many rail lines and so many freeways and things like that in Casey than it does in Wyndham. Therefore people should pay the same amount, because they cannot develop their land unless the community puts its hand in its pocket and actually buys that stuff. There are different ways of looking at it. I am not trying to say what the best is. That is an issue that obviously is going to be a discussion that you will be involved in. I think there are certainly arguments that can be put that say an earlier charge does have a lot of equity associated with it.

Mr KAVANAGH — You would recognise, though, that a standard amount per hectare imposes a relatively much greater burden on people in Melton — in Wyndham, probably — than in other more expensive areas of the state.

Mr SEAMER — Yes, but they will probably get a higher percentage value uplift than the others, because their starting point for their land is actually considerably lower at the present time.

Mr KAVANAGH — Mr Guy read to you a quote from Mr Madden which I think it is fair to say he passionately denied in the chamber last week. He said that the promise he made was to consider leaving people out of the growth boundary if they requested it. A lot of us have had requests from people asking to be left out of the growth boundary, possibly because of the effect on rates that that inclusion would have. You have said that nothing has been done to facilitate that, but would it be possible for a landowner who has land brought within the growth boundary to his north, south, east and west to decide he will not be brought within the growth boundary and to be left out of it? Is that a practical option?

Mr SEAMER — Mr Kavanagh, it is not my job to comment on what the minister may or may not say. Within the planning act, that is possible.

Mr KAVANAGH — It is possible. So you could have one person on a farm surrounded by residential areas all around him that are within the urban growth boundary.

Mr SEAMER — It is possible within the act, yes.

Mr KAVANAGH — You have said that the purpose of this tax will effectively be to pay for 15 per cent of the infrastructure cost. Is a 15 per cent solution worth it? Would it not be better to just forget about the whole thing and get everyone to pay 100 per cent instead of 85 per cent?

Mr SEAMER — It would make my life a lot easier, Mr Kavanagh, I can assure you. I think the moneys are not inconsequential. The government has, I think, made some very powerful decisions in regard to infrastructure
supply. I think the community’s expectations are, ‘We are no longer to get a dormitory suburb, and over the next 50 years we are going to get our services provided’. I think in this way they — we, the government or whoever — are seeking to find a balance between who should be paying for this infrastructure. I probably do not have any further comment to make.

Mr TEE — Mr Seamer, during your presentation you talked about the strategic assessment of biodiversity. I am wondering in terms of native vegetation and environmental value what work has been done, what has been the involvement of the authority and where is that process and work up to?

Mr SEAMER — Obviously biodiversity is increasingly, as each year goes by, a more and more salient issue for everybody involved in the planning industry. The Growth Areas Authority’s view about this is that it has to be handled in a professional and strategic manner. One of the things that has happened in recent times is that the work of the biodiversity experts in DSE and the work of the planners at GAA are basically being integrated into the PSP — the precinct structure plan process. We aim to find out in detail what is out there. In doing so, when we do our PSP you will actually have issues of biodiversity and for that matter cultural heritage issues sorted out, so that when a PSP is done there is clarity for developers, landowners and everybody else about what can be developed and what cannot be developed.

There is a very big saving. I might add, to landowners and the development industry in that, because we are effectively doing the work for them. Funding has been provided by the state government and also by the federal government for us to do this. I think this a bit of a first around Australia in this sort of thing. What we are trying to do is to actually take what is a very complex issue and do it professionally, do it once and do it properly so you do not end up with these situations where you have developers and landowners having argy-bargy with people over the next 10 years. As well as that we are ensuring that we have proper biodiversity protection, which I think has been somewhat problematic in the past.

Mr TEE — In addition to then having a clear assessment of what is out there and what needs to be protected, the other outcome would be a greater degree of certainty both for buyers and sellers in terms of the value of their investment.

Mr SEAMER — Absolutely. The issue of certainty has been a major driver for the GAA in everything we do, including issues like levies and things like that to actually give people a clear knowledge about what they are up for and what it is going to cost, because at the moment there is a lot of inbuilt cost in the development process about uncertainty, about how long it is going to take, what they can and cannot build, what biodiversity issues there are, what levies they are going to have, are they going to have a fight with council over the section 173 agreement and all those things. Our issue has been to try to provide certainty, which takes time out of the process and also means that the people developing the land do not have to set aside so much for risk.

Mr TEE — Thank you. That is all I need.

Mr BARBER — Just on the issue of the council contributions and the section 173 that you brought up, are there discussions in the wind that you have been part of that might change either the council’s ability to levy those moneys or an overall shift in the share, if you like, between the GAIC and council levies?

Mr SEAMER — There have been substantive discussions in regard to the nature of the levies that councils put on development, which we are working through with the councils — we are only talking about the six growth area councils — and with the development industry, with the UDIA and the others. What that work seeks to do is to give certainty and to tie down what is very much an open-ended system at the moment that has section 173 agreements and all those things. Our issue has been to try to provide certainty, which takes time out of the process and also means that the people developing the land do not have to set aside so much for risk.

However, one thing it does not seek to do is to try to make a shift between who pays what. What we are trying to do, however, in consultation with all the different parties is to write down — tie down — exactly who pays for what, because there is still uncertainty around this. It seems strange in this day and age that you can go to one council and this will be part of state works, and you can go to that council and this is payable by council or by someone else. We are trying to get clarity around that. That work is not complete yet. We have been working with the councils and with property-related bodies in regard to that.
Mr BARBER — Of course the minister can promulgate a guideline under that DCP section of the Planning and Environment Act. It is not completely open to the councils what they charge. There is a section in the Planning and Environment Act that lays out both the power to do it and also the guidelines that can be constructed around that. Are you saying there has been progress on — —

Mr SEAMER — Better definition of that work.

Mr BARBER — Between councils and developers?

Mr SEAMER — We are working that through with both parties.

Ms BROAD — My question actually follows on from the matter that Mr Barber raised. In earlier comments about quantifying the impact of the growth areas infrastructure contribution on housing affordability you made reference to local government levies, and I have certainly had some experience of some of the controversy that can arise around local government levies on land-holders for things like road sealing and channelling. Could you provide some further advice to the committee about quantifying the impact of local government charges and what sorts of comparisons can be made in terms of the relativities with the growth areas infrastructure contribution?

Mr SEAMER — On average if you take the monetary contributions, the in-kind contributions and the land contributions from council, they would be well in excess of the sorts of figures being talked about for the GAIC. They are charged in various shapes and forms at a later time in the process, so they are charged more at subdivision. However, in quantum they would be significantly more than the amount being charged for the GAIC. Of course they vary considerably, and our work is to try to define that better, make it clearer and let everybody know what they are up for in advance — for the council, that is.

Ms BROAD — Yes, thank you. Just to take that a bit further, you referred to the fact that the sorts of infrastructure that the growth areas infrastructure contribution would be making a contribution to could be characterised as, if you like, basic infrastructure. Would it be fair to say in relation to local government charges when they are levied that they would include infrastructure which might include community facilities, public open space and a range of further — —

Mr BARBER — Necessities of life.

Ms BROAD — I am quite happy to accept that, Mr Barber. They would include necessities of life that certainly communities might expect and think is reasonable to expect in this day and age compared to subdivisions in the 1950s. We are then going beyond, if you like, the basic infrastructure which the contribution — the GAIC — makes a partial contribution towards.

Mr SEAMER — Yes. In the second fund within the proposed GAIC there is capacity for councils and others to seek funding for other items that would probably not be just heavy transport in nature if you like. Certainly a lot of the value of the council levies goes into land for footy ovals and all that sort of stuff, particularly where the land is very expensive. The whole of the council charges are for Mr Barber’s necessities of life which come heavily into that area. I think if you go out and have a look at the growth areas now, whether you go to Caroline Springs or to any of the others, you will see that the quality of infrastructure that is going on is very different to what was going on 20 years ago, and that is a very positive outcome. That has got to be balanced against affordability and all the other stuff, and that is what is trying to be achieved.

Mr GUY — One of your releases states that the GAIC will also not apply to land that is undevelopable. As you would no doubt be aware there are instances of land that is deemed undevelopable later in the stage around PSP level and just before — land that is deemed undevelopable at that stage of the cycle. There must be a situation that will then arise where people will have paid the GAIC on land believing it is developable, and they will get to a stage later in the process when it is then deemed undevelopable, and thus the GAIC would not have been paid if that had been set out at that stage. Is there a system in place for refunds for people who have paid GAIC on land that is then deemed undevelopable, or was it payable at the time?

Mr SEAMER — No, there is no system in place for that. The GAIC was actually set in comparison with our interstate colleagues at a fairly low level, in that we actually assumed that there would always be some degree of mismatch, but only a few per cent around that particular item. What is very important with that work,
particularly with native vegetation and the preplanning for transport corridors, is that we are clearly able to identify early on what is going to be UGZ land that the charge will be applying to and what will not. The aim of the exercise is to provide certainty early on, and then that would not become an issue later on.

Mr GUY — If, as you say, there must be some degree of mismatch, surely it is completely unfair, whether it is $2 or $95,000, that someone is paying a tax on land they did not need to pay a tax on. We might be talking about a land-holder who has 10 hectares, so that is one-tenth of the entire GAIC they have paid. Surely there must be a process that needs to be put in place for people to be reimbursed GAIC moneys if their land is then deemed to be undevelopable at a later stage. Has the GAA considered that at all, or has it been part of your conversation with government that land may be deemed undevelopable at a later stage?

Mr SEAMER — At this stage there is no proposal to undertake what you are suggesting.

Mr GUY — Right. We talked earlier about the land value uplift, and again in one of your releases you state, correctly, that rural land inside the UGB — and in this case it was in Cardinia — had a three times greater uplift than developable land or land that had been zoned for development, which had the tenfold uplift. Would it be fair to say that the majority of small parcel landowners who will be brought into the urban growth boundary will actually have land that is zoned rural land as opposed to land that is currently zoned for development?

Mr SEAMER — Can you run that past me again?

Mr GUY — Okay. At the moment we have a number of people who will be brought into the urban growth boundary area. They are small parcel landowners, and their land is zoned rural.

Mr SEAMER — Most of it would be zoned green wedge. The only area that will be zoned rural — if the UGB moves into it — will be Mitchell.

Mr GUY — But it is not zoned for development?

Mr SEAMER — No. It is zoned green wedge.

Mr GUY — In Cardinia, as you correctly state, that land brought into the UGB had a three-times uplift in value, not a ten-times uplift in value. I just want you to confirm that in fact it is land that is zoned ready for development — development-ready land — that has a tenfold uplift in value, and further that the majority of people, small parcel land-holders who will be brought into the UGB, in fact will have their land zoned either green wedge or rural and not zoned subject for development.

Mr SEAMER — The major point for the uplift in land is the drawing of the UGB. A typical ten-times value uplift would be on land that went from being hobby farm land to land which is ready to be developed. But the biggest point of the uplift will be the actual drawing of the UGB. That is the information.

Mr GUY — Right. Just in conclusion — and I may have asked this in the last hearing, but I will ask it again — the decision to implement the GAIC as a flat tax was made on whose recommendation? Was it your recommendation to government, or was it government coming back to you with their recommendation as to what would be implemented?

Mr SEAMER — I believe that when the government made its announcements in 2005 it was talking about a flat rate. I was actually in Sydney at the time, so it was not me, and I do not think the GAA existed at that time.

Mr GUY — That is all I need to know. Thank you.

The CHAIR — I have just one question, Mr Seamer, before we wrap up. If you accept the notion of the uplift associated with the UGB, does that also imply that at the time the UGB was introduced land that was excluded from the UGB suffered a decline in value relative to land which was included in the UGB?

Mr SEAMER — I do not have any figures around that. I would not have thought it would go down very much unless people were assuming it would go into the UGB, not just in valuation but in actual sales, and people had speculated on the fact that it would go through but it did not come about. I do not have any data that
I can think of that talks about valuations on land that was outside the UGB and stayed outside the UGB but might have almost come in. I do not believe I have any data, if that is your question.

**The CHAIR** — Essentially it is, yes.

**Mr SEAMER** — I do not believe I have any data on that particular circumstance.

**The CHAIR** — Thank you, Mr Banks and Mr Seamer. The committee appreciates your evidence here this morning. There are a number of matters that we will follow up in writing, which will be noted in the transcript. We will have a draft of the transcript to you in the next couple of days for any corrections. We appreciate your presentation and your second appearance.

**Mr SEAMER** — Thank you very much.

Committee adjourned.
APPENDIX 7 – RESPONSE TO QUESTIONS TAKEN ON NOTICE 7 SEPTEMBER 2009 HEARING
Mr Richard Willis
Secretary
Legislative Council Standing Committee on Finance and Public Administration
Parliament House
Spring Street
EAST MELBOURNE VIC 3002

12 October 2009

Dear Mr Willis,

Re: Request for additional information pertaining to Inquiry into the Performance and Operations of the GAA on 7 September 2009

Further to your letter of 17 September 2009 and the subsequent telephone conversation with Ed Small of this office which revised the response date to 9 October 2009, I provide the following advice.

The matters for which further information has been requested, have now been explored. In some cases it is noted that the information relates to material prepared by the GAA for the Minister for Planning or for the Government and could reveal the deliberative processes of government. In these instances the GAA is currently seeking further advice about the response to the Committee’s request. I will provide a response to the Committee in relation to these matters as soon as possible. In the interim, I have responded to the matters not requiring further advice.

The Inquiry sought responses to the following questions:

1. Copies of any advice to the Government on the issue of how the streamlining reforms could achieve potential savings of $10,000 per lot for homebuyers in the growth areas.

Instructions regarding the release of this material is being sought regarding the release of this information.

In the meantime, I draw the Committee’s attention to the GAA’s letter dated 19 June 2009, which provided a copy of the SGS Economics and Planning Pty Ltd advice of August 2007 which considered the linkage between supply side elasticity and house price movements. The GAA’s earlier response to the Inquiry, of 29 May 2009, outlined the methodology used by the GAA in conservatively estimating the potential downward pressure on the price of rezoned lots through cost savings/price reductions of up to $10,000 per house block due to a range of factors and initiatives.

2. Information on how the 15 percent Infrastructure contribution figure was calculated in terms of infrastructure requirements.

The planning policy document “A plan for Melbourne’s Growth Areas” from November 2005, indicated on page 10, that $10 billion would be required for State-supported infrastructure for the future outward growth of Melbourne until 2030.

As previously indicated by the Minister for Planning, the Government has estimated that the total quantum of the GAIC is expected to be in the vicinity of $2 billion. Some time has elapsed since the 2005 announcement, and population, land and housing requirement forecasts have altered. However, it has been broadly estimated that the GAIC will produce revenue in the range of 10% - 20% of the total cost of Growth Areas State-supported infrastructure.
3. Provide figures for the GAIC variables associated with the increase in land values.

The Committee discussed the GAIC’s analysis of the CKC report. The GAIC’s analysis formed the basis for material presented to Government. The number of sales on which this analysis was conducted was approximately 350, extending over the years 2000 to 2008.

4. Copies of any advice or material provided to the Government on the possible impact on housing affordability if the timing or model of the GAIC was changed.

The Government has received briefings from the GAIC in relation to the possible timing and financial impacts of different options associated with the proposed GAIC. However, although I indicated to the Committee that GAIC may have done so, upon reflection, I advise that no detailed analysis on the impact on housing affordability was provided on the different GAIC options.

5. Advice as to what processes have been put in place to consider requests to be zoned out of the urban growth boundary.

Submissions were called under the broad Stage 1 submission process for the review of the Urban Growth Boundary, through the announcement of Delivering Melbourne’s Newest Sustainable Communities. Submissions were to be made through the GAIC and closed on 17 July 2009. Submissions could be made as to whether a property included in the investigation area should be included or excluded from within the new urban growth boundary. Further targeted consultation on alternative options for the proposed alignment of the Regional Rail Link: OMR/E6 transport corridor and western corridors reserves was conducted from 14 August 2009 to 21 September 2009.

The Government will consider all submissions on the proposals within Delivering Melbourne’s Newest Sustainable Communities before a final decision is made.

A Parliamentary decision is required to alter the Urban Growth Boundary. A proposal, with the recommended alteration to the Urban Growth Boundary is anticipated to be considered by Parliament later this year.

6. Advice as to the average uplift or valuation increase for land brought within the urban growth boundary.

The GAIC has performed analysis of the general increase in the value of properties sold in and around Melbourne’s Growth Areas over recent years. This information has been provided to the Government. Further advice in regards the release of this information is currently being sought.

Should you have any further queries in relation to the above matters do not hesitate to contact Ed Small, the GAIC’s Director Corporate Services (9651 9609), or me.

Yours sincerely,

Peter Seamer
CHIEF EXECUTIVE OFFICER
24 December 2009

Mr Richard Willis
Secretary
Legislative Council Standing Committee on Finance and Public Administration
Parliament House
Spring Street
EAST MELBOURNE VIC 3002

Dear Mr Willis,

Re: Request for additional information pertaining to Inquiry into the Performance and Operations of the GAA on 7 September 2006

Further to your letter of 17 September 2009, and the subsequent GAA correspondence dated 9 October 2009, I provide the following advice.

In the latter correspondence, the Committee was advised that the GAA was seeking further advice on the release of material relating to 2 matters (item 1 and item 6).

At the inquiry meeting of 2 December 2009, the Minister for Planning stated that he would review the material referred from the GAA and make a decision whether to release it.

The GAA has now been advised that the Minister for Planning will be responding to the Committee directly in relation to the first matter which relates to the advice provided to the Government on the potential savings of $10,000 per lot. Therefore, the GAA will not be providing a further response on this matter. The GAA has set out in its earlier correspondences with the Committee (on 29 May and 23 June 2009) the method on which the calculation of the estimated savings was based.

The second outstanding matter was in respect of advice as to the average uplift or valuation increase for land brought within the urban growth boundary. Please find attached a graph, which reflects the comparative value per hectare for land in and adjacent to the growth areas in 2008. The GAA prepared this graph.

Should you have any further queries in relation to the above matters do not hesitate to contact Jane Price-Waterman, the GAA’s Manager Corporate Information and Governance (9551 4600), or me.

Yours sincerely,

Peter Quinn
CHIEF EXECUTIVE OFFICER
APPENDIX 8 – TRANSCRIPT OF EVIDENCE
2 DECEMBER 2009 HEARING
CORRECTED VERSION

STANDING COMMITTEE ON FINANCE AND PUBLIC ADMINISTRATION

Inquiry into departmental and agency performance and operations

Melbourne — 2 December 2009

Members

Mr G. Barber
Ms C. Broad
Mr M. Guy
Mr P. Hall
Mr P. Kavanagh
Mr G. Rich-Phillips
Mr M. Viney

Chair: Mr G. Rich-Phillips
Deputy Chair: Mr M. Viney

Substituted members

Mr B. Tee for Mr M. Viney

Staff

Secretary: Mr R. Willis
Research Assistant: Mr S. Marshall

Witnesses

Mr J. Madden, Minister for Planning; and
Ms P. Digby, deputy secretary, planning and local government, and
Mr J. Gilmore, executive director, planning policy and reform, Department of Planning and Community Development.
The CHAIR — I declare open the Legislative Council Standing Committee on Finance and Public Administration public hearing. This morning’s hearing is in relation to the inquiry into departmental performance and outcomes, specifically in relation to the Growth Areas Authority. I welcome the Honourable Justin Madden, MLC, Minister for Planning; Ms Prue Digby, deputy secretary, planning and local government; and Mr Jeff Gilmore, executive director, planning policy and reform.

For the information of witnesses and the committee, today we have the following substitution: Mr Tee is substituting for Mr Viney on the committee. All evidence taken at this hearing is protected by parliamentary privilege as provided by the Constitution Act 1975 and further subject to the provisions of the Legislative Council standing orders. Any comments made outside the precincts of the hearing are not protected by parliamentary privilege. All evidence is being recorded by Hansard, and witnesses will be provided with a proof version of the transcript in the next couple of days.

I have indicated, Minister, this is a continuation of an earlier hearing we had with Mr Seamer in relation to the Growth Areas Authority, and the committee has further matters to follow up with you, but I would invite you to make a brief opening statement if you wish, and the committee will then proceed to questions. Obviously we have had statements from Mr Seamer, so if you can keep it short.

Mr MADDEN — Sure; thanks very much. I appreciate that, Chair. I will make some short opening remarks if I can. In a sense it will not be news to this committee, but the government released its update of the Melbourne 2030 planning strategy for the metropolitan area, known as Melbourne @5 Million, on 2 December 2008, 12 months ago. It sets out the population and employment growth challenges facing Melbourne over the next 20 years.

It is clear from the projections available that Melbourne is growing faster than initially expected when Melbourne 2030 was released in 2003, and the Governor of the Reserve Bank of Australia, Glenn Stevens, in an address he made at the 2009 Economic and Social Outlook Conference on 5 November 2009, noted that the rate of population growth in Australia at present is the highest since the 1960s, leading to strong demand for additional dwellings. Governor Stevens also asked whether enough is being done to make the supply side of the housing sector more responsive to these demands. For Melbourne it is clear that the scale of household growth will require an expansion to the land supply in growth areas if we are to continue to provide choice and diversity of housing into the future.

The release of the Delivering Melbourne’s Newest Sustainable Communities program for public comment in June this year is a clear and decisive response by the government to this challenge. This integrated transport and planning program will create enough homes to meet the demands for a rapidly growing population and ensure that the essential transport and infrastructure are in place to support it. I will just go on for a little bit longer, Chair.

The Growth Areas Authority was established in 2006. I know you have met with Mr Seamer and he has given you significant technical responses. I am happy to answer again any of those technical issues, but if they are of a highly technical nature, I may have to take many of those on notice and provide information back to the committee.

The Growth Areas Authority, as you would appreciate, is an independent statutory body which advises the Minister for Planning. Since its establishment the Growth Areas Authority has been working with industry and local government to facilitate the delivery of well-planned communities in growth areas. In October this year I launched the Growth Areas Authority’s revised precinct structure planning guidelines, which reinforce the government’s commitment to introduce a simplified planning tool for designing and delivering better quality communities in growth areas. To date 10 precinct structure plans have been completed for new communities, ensuring that a whole-of-government approach has been taken when planning for these new suburbs in Cardinia, the city of Casey, Hume, Melton, Whittlesea and Wyndham. Precinct structure planning brings together considerations about land to be used for residential
development, transport linkages, essential infrastructure and services while ensuring natural and cultural heritage values are conserved.

The Growth Areas Authority is currently working with stakeholders to refine the mapping and management of native vegetation and indigenous cultural heritage. It is important to facilitate and speed up those development approvals by doing things in a consistent, integrated manner instead of what has traditionally been the more piecemeal approach of the past.

The Growth Areas Authority has been involved in helping draft the legislation to introduce the growth areas infrastructure contribution as announced in Melbourne @ 5 Million last year. It has also undertaken consultation with local councils and the development industry about possible changes to the local development contributions plan system, which is a separate system again, as it applies to the growth area councils, and discussions about those matters are ongoing. Both of these reforms are aimed at ensuring that the state and growth area councils have the resources they need to adequately provide the infrastructure and services needed by new communities.

We are also ensuring that the long-term development needs of Melbourne are being planned responsibly and in detail, and the Growth Areas Authority has played a critical role in planning for the growth and will continue to deliver livable and sustainable communities on behalf of the broader Victorian community. Thank you, Chair.

The CHAIR — Thank you, Minister. I want to start with a couple of brief questions following up matters raised with Mr Seamer when he appeared on 23 April and 7 September this year. One of the matters raised with him was the basis of the government’s suggestion that planning streamlined reforms would contribute a $10,000 decline in the price of a block, and you would be familiar with the government announcement. What we sought from Mr Seamer was what advice underpinned that particular figure. Mr Seamer undertook to consult with you as to the availability of that information to this committee, so I am now asking you if that information can be provided to this committee.

Mr MADDEN — I understand that Mr Seamer has written a response, and I think that will be provided to you, if it has not.

The CHAIR — It has not.

Mr MADDEN — I think it is in the process of being provided to you, and he is basically giving a summary of how those figures. I understand there is a degree of detail in that information about the sort of scope of savings that is anticipated on the basis of downward pressure, in particular by the increased provision of land. Of course supply and demand is a critical issue. Many of the savings occur on the basis of the holding cost. The longer you have to hold land, the more likely you are, as a holder of that land, to incur a cost to hold onto it, particularly if there is debt involved in that, and that debt incurs a cost on the land over time and is often passed on to the purchaser.

There are a number of factors. As well as that there is some technical advice that has been provided, I understand, to cabinet. There are some issues around cabinet and executive privilege in relation to that information. I am getting clarification as to what, and the extent of the information that we are able to release to this committee on the basis of executive privilege. I would expect that we should be able to provide you with some clarity around the assumptions and the technical considerations taken into account to come up with those figures.

The CHAIR — Minister, you said you were getting advice; where is the advice coming from?

Mr MADDEN — In terms of?

The CHAIR — Advice as to whether you can release this? We were told by Mr Seamer that it was your decision.

Mr MADDEN — Yes. It is my decision but I have to take legal advice from within the government solicitor’s office as to what is and what is not releasable based on executive privilege. But there are, as I mentioned, a number of downward pressure issues. In relation to the reforms we have brought about, the release
of land we would anticipate would occur sooner rather than later, and on that basis there are significant savings. We will provide you with information and clarity around that. The extent of that information I have to get legal advice on in relation to executive privilege.

The CHAIR — Just to clarify: you are saying the figure that was used — I understand in a press release — the $10,000 figure, was a cabinet deliberation?

Mr MADDEN — No, I am not saying that at all. I am saying some of the decisions that were made in relation to that decision that was announced that made the savings, some of the information in relation to that is captured under executive privilege. What is not, I am happy to release to the committee and to provide any technical information that is not covered under executive privilege to the committee as well, that has come through the Growth Areas Authority. The only issue I have to now clarify and get legal advice from the government solicitor’s office is as to what elements are and are not covered under executive privilege.

Mr GUY — Minister, with respect, you made it public.

Mr MADDEN — Which bits did we made public?

Mr GUY — You made the outcome of it public.

Mr MADDEN — Yes.

Mr GUY — And as a consequence the committee is just asking for it, but you made it public.

Mr MADDEN — Yes, and I do not have any difficulty about wanting to release any information around this, because I am very confident about the announcement we made and about that. I think the matter around some of the executive privilege issues relates to some of the privacy issues around land-holdings and how they may or may not or could be identified. It is not really so much around the decision or around technical elements about how the decision was arrived at, but some of the information that was provided to the cabinet deliberations, I understand, without going into great detail, related to land-holdings. Some of those land-holdings are also issues about privacy and the difference as to how they can be measured and identified. Without getting into too technical a discussion around what can or cannot be released, I am just getting some advice from the solicitor-general as to the extent of what can or cannot be released.

The CHAIR — It has been almost three months since Mr Seamer undertook to come back to us on that particular matter. When can we expect to hear from you?

Mr MADDEN — I think you could expect that in the next week or so.

The CHAIR — In a similar vein, the issue of the figures being quoted for uplift in relation to land coming within the urban growth boundary and underpinning the GAIC et cetera — an issue I am sure you are quite familiar with — again Mr Seamer took on notice the provision of documentation to this committee as to what underpins the statement that has been made of a tenfold uplift.

Mr MADDEN — Yes.

The CHAIR — Again, we are seeking the documentation that the government is relying upon for that quoted figure, and Mr Seamer undertook to seek your permission to release it. Again I ask you, where are we at with getting those documents to this committee?

Mr MADDEN — Yes, so he has undertaken to get clarification as to what information he can and cannot release. Just remind me, what was that again?

The CHAIR — It was documents in relation to the quoted uplift factor in the value of land brought inside the urban growth boundary.

Mr MADDEN — And again, I have to finalise my decision on that.
The CHAIR — Again it has been three months since Mr Seamer committed to come back to us; actually six months since he initially committed to provide this information.

Mr MADDEN — I understand that; things sometimes take some time when you have got to get legal advice. I think again it is not dissimilar from the last comment I made in relation to what I am entitled or not entitled to release. I am not the least bit defensive about these announcements or these decisions, but there are some protocols around what I am able to release. But I am happy to release as much information as I am entitled to release to this committee.

The CHAIR — So again we can expect a response next week?

Mr MADDEN — I would believe so, yes.

Ms BROAD — Minister, as a member for Northern Victoria Region in the upper house, overwhelmingly the area I represent is rural and regional. However, there are some parts of the region I represent which come into the metro area. One of those is around the Sunbury area, which is currently not within the UGB; however, depending on what decisions are made by the Parliament, it may be in the future. There is a keen interest in that area around the processes that relate to what happens in the future if those decisions are made around the preparation of structure plans and what they can expect to have happen. Can you outline for the benefit of the committee what progress is being made, how that is proceeding and as much information as you are in a position to provide to the committee about those processes and progress that has been made?

Mr MADDEN — Thank you very much, Ms Broad. There are a number of issues there. Basically the Sunbury area and the region has been identified as an area that can take up more growth. Many of these decisions have been made complementary to the transport plan, and as you might be aware, the transport plan includes upgrading and electrifying the railway line through to Sunbury. There have been various comments from people in Sunbury as to whether they want Sunbury to grow or not, and some people have different views, but in upgrading that infrastructure, it allows for additional settlement or land availability in and around the Sunbury area.

Anecdotally I have heard that one of the difficulties for householders in Sunbury currently is that if your family or your children want to settle and maintain their lifestyle in Sunbury, there is limited supply of land for even those who currently live in Sunbury, so the difficulty is that some people who have lived in Sunbury, want to maintain the lifestyle in Sunbury and live there cannot find or get access to sufficient land supply. That is just anecdotal reports to me, but it does make sense, because what we have to bear in mind is that going into the future we need to also have additional housing stock for the existing population, for our younger members of the community as they seek to settle and also for older members of the community who might seek different accommodation.

In terms of Sunbury, it has been identified as an area that can be expanded, or the urban growth boundary can be expanded to take account for that. As part of that we have also released aspirational goals, in particular, that relate to precinct structure planning, so before the new land in those areas could be developed, there has to be some precinct structure planning undertaken. Critical to that is 15 dwellings per hectare and also one job per household and a series of other elements that are introduced into those guidelines, and those guidelines will provide some flexibility but also some prescription, too, and that will help determine how the precinct structure planning evolves in these locations and should certainly give confidence to the likes of people in Sunbury and other areas.

The complementary work around the precinct structure planning and the complementary work around the transport plan should assist in giving people a fair degree of confidence that when and if this land is opened up on the basis of what is before the Parliament as we speak, that again the future is there and there is certainly opportunity for considerable housing growth — slightly different probably from what has taken place before with 15 dwellings per hectare. But it is important that it also be combined with connective communities that offer jobs, transport, access,
open space, services and are well connected, particularly in terms of public transport. They are many of the issues that are being undertaken. The other issues that are also relevant to areas where the precinct structure planning will take place are to make these communities more walkable, so people are in walking distance of those services, and also the diversity of housing stock, so not one uniform type of house, but different housing stock in order to give a broader social mix and a broader opportunity for people to make a choice about the sorts of dwellings they might want to settle in. A range from large family homes to one-person units and even home offices and the like are critical components of that, and those guidelines, particularly in those sorts of areas, will complement the work that is being undertaken.

Ms BROAD — As a follow-up, in terms of the existing structure planning process and the commitments going through to I think it is 2012, can you outline for the committee how those are progressing, the status of them and what your view is of the progress that is being made by the GAA?

Mr MADDEN — There are a number of precinct structure plans that are currently being undertaken. There is in the order of about 40 precinct structure plans that have to be worked through over time, and the precinct structure planning program is progressing fairly well; it is on target to meet the land supply of targets by 2012. Some of the precinct structure plans are running ahead of schedule; some are running a little bit behind due to a number of factors, including response to demand, but the Growth Areas Authority will continue to monitor and report on the progress of the precinct structure planning program.

I am informed that as at 30 June 2009, nine precinct structure plans have been completed, with 29 380 residential lots zoned in those precinct structure plans. I am also informed that since that reporting date another precinct structure plan for a river walk in the Wyndham corridor, with another 22 000 lots, has been completed. In the last financial year more lots were created through the precinct structure planning process for development than were used, which has been important given the surge and likely continuance of that surge in demand. In the 2009–2010 financial year it is also anticipated that more residential lots will be created than the level absorbed for the year, further increasing stock levels and assisting in maintaining housing affordability.

In more detail, four precinct structure plans have been put on exhibition in the last few weeks, with the exhibition periods closing between 19 November and 21 December 2009. These include three in the Melton shire — Toolern, Taylors Hill West and Melton North — and one in Hume council, which is Craigieburn, known as Craigieburn R2. All these are scheduled for panel hearings early next year in February and March, if required.

I understand that two precinct structure plans are at panel hearing stage. The Cranbourne East precinct structure plan panel hearing began on 16 November and I understand will finish on 10 December, and the panel hearing for the Truganina South precinct structure plan in the Wyndham council area is scheduled for four days from 7 to 10 December. Two precinct structure plans are at approval stage. The Cranbourne West precinct structure plan has been submitted to me for planning approval by the City of Casey. Truganina employment in the Wyndham council is being reviewed at present, and I am expecting positive outcomes in the near future in relation to that.

Can I just clarify something? I think I might have said 22 000 when I meant 2200 lots in the Wyndham river walk area. I just want to correct that error.

Ms BROAD — In summary, could you indicate to the committee, in light of the government’s objective of ensuring adequate land supply that is able to be developed to meet population growth, what is your assessment of the progress that has been made in terms of the structure plans and the number of lots that have been approved through those processes?

Mr MADDEN — I am fairly confident that we are progressing through those structure plans at the rate we need to. It is always good to have more supply, and I am very conscious that we need to continue to work rapidly to progress those precinct structure plans. Initially, in coming into the portfolio, we saw a level of growth that was greater than had been anticipated in the years previous, so I was very conscious of making sure
that we provided for that level of demand, both in terms of growth areas and inner metropolitan areas and the supply of housing opportunity in all municipalities.

Bearing that in mind, I have also announced that we will be working in partnership with local government to work through housing growth requirements. We have an idea of how many dwellings we need basically in each municipality on average in the next 20 years. We will work with local governments so that they can identify, with assistance, where they believe growth can occur. In the growth areas that is not as great a challenge. The challenge there is to process the precinct structure planning. In some of those existing suburbs the challenges relate to council and community needs, particularly around the sensitivity of the likes of activity centres, but also in identifying sites for renewal, particularly inner urban industrial areas where we can locate reasonable and substantial amounts of housing that relate to the needs and concerns of local communities as well.

I am very conscious of providing for that demand with the increase in the growth projections. I am confident that we are well on track to work with local governments to assist them and by working together we can provide a whole lot of housing options and choices, so that people can make decisions about where they want to live, and hopefully have the ability to choose the type of house they want to live in and around the locations they seek to live. Of course there will be differences in prices, depending on the premium nature of either some dwellings or some suburbs. I am conscious that we lead the country in this area. The proof of that in many ways is that the first home buyer take-up has been very strong in the state. As well as that, we have in a sense the most affordable supply of housing stock, particularly for the first home owner, and also in the house and land package range as well compared with anywhere else in the country — I think other than Tasmania and maybe Adelaide.

We are fairly confident that we are maintaining our competitive edge. That is an important characteristic that we need to bear in mind. We know that we need to build a skilled workforce in the future. We have good opportunities in this state so that people are attracted to the whole lifestyle package. When we use the term ‘livability’, that is about the homeowner-type package, it is about salary-job prospects and the lifestyle you get in and around Melbourne. All those elements together combine to attract people from interstate and some from overseas, but as well as that keep within the state people who might be tempted to go elsewhere because the relative affordability level of our housing is very competitive Australia-wide.

The CHAIR — Thank you, Minister. We will move to Mr Barber. So that we can get as many questions as possible from committee members, it would be appreciated if you could keep your answers concise, Minister.

Mr MADDEN — Thank you for your guidance, Chair.

Mr BARBER — Minister, thanks for appearing before the committee, which is a first for us. Hopefully it will be routine for major initiatives and legislation from now on, but there will not be many as major as this one. I would just like to ask you some questions about the kind of high-level doctrine behind your VC55 planning scheme amendment. I am just really referring to the amendments that are being made to those high-level parts of the planning scheme. It seems that part of the new doctrine is that we will now develop several large CADs rather than focus on the CBD. Can you tell me what sort of strategic justification is behind that particular idea?

Mr MADDEN — There are a number of issues there. What we are seeing is a trend worldwide, I suppose, on the issues around congestion and mobility. They are all critical issues in the way in which cities function. The higher functioning cities that operate well tend, by virtue of good planning, to move to what is known as a polycentric city, which has multiple centres, not enormous numbers of centres but multiple centres. They are done on the basis of trying in a sense to provide employment and service opportunities closer to where people live rather than having everybody coming into the traditional central business district for all those services and employment.
They are certainly a major consideration, which is not to dilute in any way what we already have as a very strong and vibrant beating heart in the centre of Melbourne, which makes Melbourne a great city. It is important to locate in some instances specialised centres but also centres in some of these areas that provide for employment and reduce travel times in and around suburban regions and even link people further out from the city to some of these hubs. They are critically important. We have nominated those CADs — central activity-type districts — on transport lines, whether they be located on hard rail or close to tram networks or good road infrastructure, so that they are relatively accessible. The intention is to have a reasonable scattering in the middle to outer metropolitan area.

The intention is not to allow greater expansion of the urban footprint over time but more to locate services closer to where people might live. The ones we have announced predominately range from Frankston, Dandenong and Box Hill across to Broadmeadows and Footscray. I may have omitted one or two, but you can see a sort of swathe of those across the metropolitan area. You would be aware, Mr Barber, that currently there is a lot of time and effort being invested in the western suburbs. At the moment the only CAD is in Footscray, and there is a logic behind that, because it is about renewal, it is also about being on the other side of the river and it is about being close to the city as well. Also, as I have mentioned on a number of occasions in the Parliament, many of the regional fast rail networks pass through Footscray. So it gives us an opportunity to build up those services in that location. Over time there might be some opportunities further into the western areas of Melbourne. There is some land in and around the Wyndham area particularly identified as an employment corridor, and there might be some opportunities to do some more work around the likes of a CAD in that area on the basis of that land which the government currently owns.

Predominately it is about providing more of those activities and services close to where people live and also providing different housing opportunities in those CADs. We are all conscious that the livability of Melbourne is about the green leafy suburb, whether it be an inner suburban or an outer suburb, and we want to maintain people’s confidence that those qualities will be maintained. But we will be seeking to provide either higher density or greater diversity in the housing stock as population needs change. The prospect of being able to locate them in those central activity districts will also allow people to really not have to travel at all for some of those services. We are very keen to provide those options in those CADS as well.

Mr BARBER — We end up with a CBD and six CADs, but then we also have this section where it starts to talk about employment corridors providing for a substantial increase in employment in a whole list of corridors: Caulfield to Dandenong, Melton to Sunshine, Monash University, Ringwood to Box Hill, Hawthorn and Avalon Airport. So it speaks the language of a polycentric city but then it goes on to say things that make it sound like it is just employment totally dispersed across the landscape.

Mr MADDEN — Yes. In some ways it is probably very general. More specifically and strategically we know there are certain areas of Melbourne that in a sense specialise in certain activities. It is no surprise that the Sunbury area, particularly close to Tullamarine Airport and that corridor, is very much linked to the activities in and around, say, Essendon Airport, Tullamarine Airport and many of the aviation-type activities. So that would be seen as possibly providing some of those employment opportunities that could be co-located with aviation opportunities.

Bearing in mind the interconnectivity of other logistics services, particularly up into the Hume corridor, there is also that relationship between the aviation industry and the transport and logistics industry. So a lot of that is probably going to happen towards the north-west; it might even extend into areas up the Hume, because of agriculture and the work that takes place there and the relocation of the Melbourne markets. And then bear in mind that we also have Avalon and that connection. So some of those will allow us to build on what already exists.

In terms of the Caulfield–Dandenong corridor, there is opportunity to put employment into those areas as well. Of course Dandenong is a part of a major renewal initiative, and there is an
opportunity to link that as a centre into some of the industrial areas, not as an industrial centre but as a service centre for those industrial areas that might be further out in the suburbs, and also to link into the EastLink road network and some of the other transport initiatives around there. Then in terms of the Monash corridor, that is more about health and education services, and there is plenty of opportunity to build on any of those interconnected services.

In terms of the Bell Street corridor as well, the recent introduction of the SmartBus, which basically runs from Altona all the way across to Mordialloc, has meant that with the operation of the city network and access to public transport, particularly that SmartBus service, if we can complement employment opportunities that align with those public transport networks, then we would hope that people will not have to travel as far. We also hope to build on some of the existing employment opportunities that are currently in place and create new ones as they arise.

Mr BARBER — Most people drive to work, and most people live half an hour from where they work. So the key issue is where and how employment is to be distributed, and from the days of Melbourne 2030 I have never followed what the actual plan was. It seems that we are now making a leap not just into a bunch of CADs, which I agree could be a good proposal, but also into a sort of massive spreading of employment supported by these policies. Under the heading ‘Road network’ we see a new provision saying, ‘Improved key cross-town arterial links in the outer suburbs, including circumferential and radial movement’. Is it really your plan that some guy lives in Werribee and commutes to Whittlesea and that every day on the freeway he passes a guy doing the opposite trip who has got the same job? Is that what circumferential road networks are for?

Mr MADDEN — No, it is not really. We cannot decide where people will live. We can assist that by providing opportunity for householders to make those decisions, and we cannot necessarily decide where people are going to work either, but we can provide opportunity. There are a number of things that we do know as background information. People tend to work, as you say, Mr Barber, within about half an hour of where they live.

Mr BARBER — In the same radial corridor.

Mr MADDEN — Yes. There are two things that are currently happening. People tend to either work in that municipality where they live or in an adjacent municipality. They might be close to their own municipality or they might be at the outer edge of the other municipality, but they tend to work within that half an hour. So that is one element.

But rather than travelling half an hour to the city centre, a lot of these people are now travelling half an hour across the suburbs. But we would not be enthusiastic about people travelling long distances regularly in large numbers. I think we would all agree that we would prefer people to spend less time in their day travelling and more time either with their families or at their workplace being productive, rather than spending time in a car.

Mind you, in the days of being able to use technology you can still be very productive, as I am sure members of Parliament are when they are travelling in the car and discussing things, or when they are travelling in the train and they have got their phone access or their internet access in their hand. So we are conscious of those things.

The other issue is what we have seen in terms of changes in the way people are employed. This has been happening over 20 years, with the move to contract-type and contract-style work. For example, a caretaker operating one facility and being a jack-of-all-trades and maintaining a building — a sort of maintenance-caretaker position — may no longer exist, but what now happens is the services are provided by alternate contractors. So the electrical contractor might service 10 different employment locations and the gardener might deal with another 10 locations. Similarly, people operate on that radial system of being subcontracted. Their office is almost their van, and they travel distances to undertake their employment as contractors.

So there are shifts and changes in employment patterns, and part of that is that people who provide many of those service-type contracting services do not operate within the city centre but operate in a radial pattern across suburbs. Some are prepared to travel long distances in order to
take up that opportunity; others do not necessarily need to. An example of that is a local
gentleman in my electorate who has been a fencing contractor doing paling fences for 30 years. In
a conversation I had with him he said he has always been able to drive home for lunch every day
because he has never been more than 5 or 10 minutes away. Given that it is an ageing suburb, he
has always been able to do his fencing contracting within that suburb. But I am sure a younger
contractor without necessarily having the established reputation of this fencing contractor might
have to travel out of the region to conduct his fencing contract work. It is a different approach to
employment, and we are conscious of that, but we would encourage trying to facilitate
opportunities for people to live closer to where they work or work closer to where they live.

The CHAIR — Minister, if you can keep your answers concise, the committee would appreciate it.

Mr MADDEN — Thank you, Chair.

Mr BARBER — I appreciate that overview, Minister. I guess I was looking for something a bit more
scientific than anecdotal. But I note that with this Report for Public Consultation — Urban Growth Boundary
Review there were a number of technical background papers, one of which was on employment, and then there
were eight others. I was not able to actually find those on the website amongst all the many, many other
documents that are available about this suite of initiatives. So if those are background technical papers to the
urban growth boundary review, which I think is your keystone strategic justification, I would love to see those.

Mr MADDEN — Yes.

Mr BARBER — How is your strategic impact assessment with Peter Garrett going along in terms of getting
his approval?

Mr MADDEN — In terms of the vegetation issues predominantly in the west? I would have to take that on
notice, but I am not led to believe that there are any major or significant issues there. I understand that there are
agreements between departments. Is that right?

Ms DIGBY — Yes.

Mr MADDEN — The departmental work that is taking place around these does not seem to have been the
source of any conjecture, and often any conjecture is more about timing and how long it might take.

Mr BARBER — That is what I am asking about — the time.

Mr MADDEN — Yes. It has not been brought to my attention that the timeliness of this is an issue, and I
understand that the federal government is conscious of their obligations to give clarity and direction around
these matters. I look to my colleagues here. Unless there are any issues that need to be brought to my attention, I
am not aware of any at this point of time.

The advice I have just received is that the decision is with Mr Garrett as we currently speak, but
we have not been informed of any significant issues of conjecture that might cause any difficulties
in that area.

Mr BARBER — So this program report — the technical name for it is ‘Program’, and that is with a
capital P — is the thing that you sent to Mr Garrett in August, and it requires his tick-off and then a number of
other steps will flow from that. So you have not had that tick-off yet?

Mr MADDEN — That is correct.

Mr BARBER — On page 23 of that document it refers to these steps sequentially: finalise the program
report and the SIA, submit to the minister, decision by the minister, consultation with other federal ministers,
decision by the minister for the environment, then planning scheme amendments prepared, you decide on them
and they go to Parliament. It sounds to me now with VC55 in the Parliament that you are actually asking our
Parliament to approve a planning scheme amendment without Mr Garrett having done his job. Theoretically he
might ask for more protection. Is it possible we will end up with a second bite of the cherry to achieve this amendment?

Mr MADDEN — As I mentioned, it does not appear to me, or it has not been related to me, that there is any conjecture coming out of either the minister’s office or the federal government in relation to these matters. So we anticipate the program is on track. The amendment is being introduced into the Parliament, and we still have a significant number of days before we need to move that amendment.

In anticipation I would expect that before we deliberate on that amendment we will have direction from the federal government as to the status of its approval. If by chance there is an issue around its approval, we could withdraw that motion if we needed to. But I have not been informed of any conjecture in relation to this matter.

My understanding is that this has been a body of work undertaken over a long time — it was 12 months ago we announced Melbourne @ 5 million and there has been a lot of dialogue between departments and officials — and as far as I am aware there is no conjecture. So I would expect it would not necessarily cause any conjecture at its end. I am not anticipating any major changes from the federal government. But if there were to be, we have the flexibility to manage that accordingly.

Mr BARBER — It is not the government’s intention we will debate on the GAIC bill and VC55 next week, is it?

Mr MADDEN — I am not sure what I am entitled to present here at the committee.

The CHAIR — You can tell us whatever you like, Minister.

Mr MADDEN — I know I can tell you what I like, but it is a matter of the details of what I can talk about in terms of a bill before the Parliament. So it will be interesting to get clarity from the chair in relation to that matter as to the level of detail I can talk about any bill that might be before the Parliament.

The CHAIR — To the extent this is not a sitting of the Parliament, you are quite at liberty to talk about the government’s intention with the legislation.

Mr MADDEN — Thank you for that guidance. I anticipate we would debate the bill next week. As far as the amendment goes, unless we get something from the federal government in a hurry I would expect we would probably not deliberate on the amendment yet.

Mr BARBER — I have got a whole number of different questions about this very thick amendment. I appreciate getting your high-level overview, but I think down the line I might suggest this committee takes on a bit more work with you and some more opportunities to quiz your staff on some of the detail of the amendment.

Mr MADDEN — Certainly, as you have mentioned before, this is one of the broadest amendments we have seen presented to the Parliament. It is very significant. If you have any technical issues we can attend to that you would like briefings on, I am happy to provide either the committee or you with that.

Could I suggest if you could list those inquiries, because I suspect we will not have one individual who could sit here before you and give you all the technical answers you might need because this is a very large body of work — we have had many technical officers from many departments work on this for a very long period of time, whether it be in the environmental area, which of course is going to be of interest to you particularly in regard to the native grasslands in the west, or whether it is around the transport corridors that relate to either public transport or road infrastructure or whether it is just housing and density numbers and the footprint issues around the shape of Melbourne’s metropolitan area, there are discrete bodies of work brought together by multiple officers.
I would be happy to respond to any of those technical queries. It is probably easiest if you were to list them or make inquiries specifically or generally around some of those, and we can clarify for you the best way for us to get the information to you.

The CHAIR — I anticipate the committee will be seeking more detailed information in that regard. I am conscious of the time. We need to move to Mr Guy, and if there is time, I am sure Mr Barber would like to ask further questions.

Mr GUY — I noted what you just said to Mr Barber about the debate of the bill. On 12 November John Brumby said that delaying the expansion of the UGB would be irresponsible and therefore delaying debate on this bill and voting on this bill would be irresponsible. On the day before John Brumby received a letter from five industry groups. The last paragraph reads as follows:

The peak bodies have met. We have conveyed our position to the Minister for Planning —

that is, the opposition current bill —

who has offered to establish a working group to review the bill.

Did you offer to establish a working group to review that bill?

Mr MADDEN — I am not sure if those words are specifically right. I think I might have indicated I am happy to continue to have discussions with the industry around the bill.

Mr GUY — That is pretty specific. They are saying you have offered to establish a working group to review the bill which would constitute a delay to the bill which is in direct contradiction to what the Premier said the next day, which was that the delay would cost $25 000 to $30 000 per block.

Mr MADDEN — I would have to look at the release or the information you have before you, Mr Guy. I am not aware of offering a working group. I may have suggested I am happy to meet again with industry to talk about their issues again. But I am not sure it was. That may be their words, but I do not believe ‘working group’ were my words.

I am conscious we need to pass the bill as soon as possible for a number of reasons. One is of course the impact on the market. The other issues are around bringing certainty in resolving these issues, because I think one of the things that can undermine people’s confidence and the ability for people to make significant decisions whether they are land-holders or whether they are developers, purchasers or proponents is that while there is continued debate around these matters, I think that is not good for industry. I would prefer to have these things resolved one way or the other as soon as we possibly can. Then we can all make appropriate decisions or have further discussions accordingly.

I am very keen that we progress this work as quickly as possible but because the bill will go before the Parliament and various parties will have various views, I am also conscious that whilst we have consulted broadly, I would expect that any suggestions come before the Parliament will need further consultation with the industry. I suspect if either of the opposition parties in any shape or form offer any suggestions about amendments to the bill, then we would have to go back and meet with industry representatives to see what their suggested or believed impacts might be about any alterations to the bill.

My offer to the industry has always been that the door is always open. It is still open, even while the bill is before the house. The industry has stated their position; I am mindful of that. I am also conscious of trying to do justice to the industry’s position, but I am also conscious that there are many in industry who have a very clear view that they do not want any additional costs based on land development at all. I recognise that. I am not in a position to offer that, but anything that changes from what is currently the offer, I am happy to continue to discuss with industry.

Industry also had some views around some of the clauses in the bill. I think one of the clauses was around deferred payment by right. I think one of the other issues industry had mentioned was around not only that but, if I recall rightly, staged payments and market interest rate for those
payments. I am mindful that we are seeking some resolution to that, and if and when the bill comes before the house, we may have to consider the prospect of some of those matters. Hence I am still happy to continue to talk to industry about those matters.

**Mr GUY** — The week before this letter was sent to the Premier and the Premier made these comments you were in the *Australian Financial Review* as saying that you would consider amendments to the bill. What amendments would you consider? What part of the bill would you consider changing?

**Mr MADDEN** — Industry have made their position about those two matters.

**Mr GUY** — They have said very clearly again to the Premier that the government is not taking on board a single industry concern.

**Mr MADDEN** — I think we have taken on board their concerns; it does not necessarily mean we implement them.

**Mr GUY** — I know that; I can tell that. I am sure they think that, too.

**Mr MADDEN** — That is not to say we would not necessarily land somewhere else. As we have said before, as I have said, the bill has to go to the Parliament, it has to go to the Legislative Council.

**Mr GUY** — It has gone to the Assembly and has been passed.

**Mr MADDEN** — It has been passed, and I know that the Liberal-National coalition voted against the bill, so I am not completely clear as to how the bill may play out in the Council. As I have said before, if the opposition would like to suggest amendments, we would no doubt be prepared to consider those amendments and consult with industry to see whether they are the right amendments.

**Mr GUY** — But judging on industry’s past concern, they are saying you have not considered a single amendment or a single issue they have put towards you, so why would anyone put amendments to you if you are clearly not prepared to listen to a single industry concern put to you over the last 10 months? It is a pretty extraordinary step when the heads of the API, the HIA, the UDIA, the property council and the master builders writes to you and Premier and then you come back and say, ‘We will establish a working group’ which you now dispute with those five heads of industry groups and then say, ‘Actually, we will now consider amendments’. What will you consider?

**Mr MADDEN** — I think I mentioned that we are open to some of those matters that were raised by industry.

**Mr GUY** — What were they?

**Mr MADDEN** — If the opposition is prepared to address some of those — —

**Mr GUY** — The timing of the bill, the timing of the GAIC, the timing of GAIC payment?

**Mr MADDEN** — The issue around the timing of the GAIC is for us an issue that we are not readily entertaining, which is not to rule things in or out because the bill has to go before the Parliament, but we are not readily entertaining, because we know there is a very significant uplift in the value of the land when the land is brought into the urban growth boundary.

**Mr GUY** — Is that the same over all of the urban growth boundary? Is the uplift value the same in Melbourne as it is in Officer?

**Mr MADDEN** — There will be a very significant uplift in all those locations. The only difference might be, Mr Guy, based on the announcements we have made and based on the way in which people speculate, some of the uplift may already have occurred by virtue of the fact that we have announced the investigation areas.

Some of that uplift may have occurred on the day we announced investigation areas, as opposed to the day on which we proclaimed the adjustment to the urban growth boundary. Whether that
uplift is realised is on the basis of the urban growth boundary being adjusted, based on the amendments before the Parliament.

As we have mentioned, the GAIC and the changes to the urban growth boundary are linked. Not only are they linked within the Parliament, based on the amendment before the Parliament, they are linked in the sense that even if people have speculated or are speculating or anticipating an uplift in their value, if the urban growth boundary is not adjusted, I suspect that will not be realised even if people have punted on that or speculated on that; so they are inherently linked. Hence, we are very keen not to move on one until we are confident we can move on the other.

The issue around the timing has been a matter that industry and groups representing the land-holders have been strong on when they believe the GAIC should be applied at the precinct structure planning process. I am not confident that that is going to resolve some of their issues, because what we have is two views within the industry.

One view within the industry is predominantly a very general one, and that view is that we do not want the growth areas infrastructure charge, full stop. Then some have qualified that by saying, ‘But if it was timed at the precinct structure planning stage, we would be happier’. Then there are one or two in the industry who have also said, ‘In actual fact, if the urban growth boundary adjustments are connected to the GAIC, we would prefer not to see the urban growth boundary changed at all’. So, even within the settings of the industry taking one position we do have slight differences of opinion on that.

Mr GUY — I know it is a government tactic to try and divide them, but the reality is they have all written to you, five groups as one, saying that your current proposal is flawed. I put it to you that the Premier has said that not passing the GAIC in its current form would add $20 000 to $30 000 to the cost of a home in Victoria — not passing the GAIC in its current form. Now you are saying, ‘We will consider amendments’ and saying there is a working group or some group or whatever was claimed on the day between you and five industry heads, so do you think that delaying it will cost $20 000 to $30 000 on the price of a new home or not?

Mr MADDEN — I think there are a couple of issues here, Mr Guy, and I do not want — —

Mr GUY — Shall I read you the Premier’s words, because either you are right or the Premier is right but you are not both right?

Mr MADDEN — No, and there are a number of propositions you have put there, and the way you have nominated those muddies the waters a bit.

Mr GUY — I have read it. I will read it as fact to you.

Mr MADDEN — The issue here is that we have linked the GAIC and the amendment together, and we do not wish to move on one unless we are confident that we can move on the other. We have said it would be irresponsible to adjust the urban growth boundary unless we can guarantee the initial infrastructure through the levy.

The other issue there is that if the GAIC bill is not passed and the amendment does not occur, then as such, that will add significant cost to land-holders over time because there will not be sufficient supply.

Mr GUY — Over what time?

Mr MADDEN — In the out years.

Mr GUY — The Premier says $20 000 to $30 000. Where did that figure come from?

Mr MADDEN — I would have to get the source of information that the Premier received.

Mr GUY — Can you take that on notice?
Mr MADDEN — I am happy to relay the request to the Premier from the advice he has received, but my understanding is that that is all legitimate figures.

Mr GUY — It would have come out of your department; it would have been something to do with — DPCD would have provided that information, unless they made it up?

Mr MADDEN — I am not entirely sure — the Department of Premier and Cabinet, and Treasury, often provide advice separate from this department because often, particularly in Treasury, they have sufficient expertise around economic matters. We have expertise, but we do not have the same level of expertise as Treasury so it may well have come directly from another department.

The CHAIR — If you can clarify that on notice — —

Mr MADDEN — Yes. It may have come directly from another department. I am happy to seek to make a request to clarify that.

Mr GUY — Everyone in the industry is disputing it and obviously it appears that the figure out of Treasury was either exaggerated or it is over maybe 30 years. It is ridiculous.

Mr MADDEN — I am happy to clarify the figure. What we are conscious of is that land supply for house and land packages is an issue. That is why we are trying to rapidly deliver on the precinct structure plans. But we know that they will also be taken up pretty rapidly on the sorts of projections we are seeing, and hence to give the market confidence and to also provide reasonable levels of supply, we also need to give people an understanding that there is provision into the future.

If people are starting to get the gist that the urban growth boundary is not going to adjust at all, that amendment VC 55 is not going to be passed because the GAIC is not going to be passed, then the speculation in the market will be, if we withhold supply of the land it simply increases its value, and the market can do that. It can drip feed to consumers land as it wishes, but if it knows there is not going to be a lot more supply, then it can drip feed that at a rate which suits it and it adds value to its end rather than to the purchaser.

So I suspect it is a combination of those things that would have formed that figure, but I am happy to provide — —

Mr GUY — All right. In that case, if you talk about land supply, is the government considering logical inclusions to the UGB as another option, apart from VC 55?

Mr BARBER — Good question.

Mr MADDEN — We are conscious in the future that there may well be some anomalies that exist within the nominated urban growth boundary, not because we expect there to be, but we suspect there might well be, because from time to time land-holders come to us and say, ‘Why aren’t we in the urban growth boundary?’ Even though we are not on the fringe of the urban growth boundary we are near a road reserve’ or something, or a road has gone in and you have a triangular parcel of land which is neither large, worthy of being parkland nor does it have some native vegetation qualities; and it might be almost an urban, built-up area.

So from time to time, just because of the way development takes place, you do have some anomalies. Some of those might occur in locations that have been earmarked for infrastructure by one agency or another but not necessarily nominated specifically.

Mr GUY — Are these possible boundary changes that might happen, even after your comment that, ‘The current VC 55 will not change again in my lifetime.’?

Mr MADDEN — What I said was — —

Mr GUY — Are you giving yourself a bit of a prediction here, Minister?
Mr MADDEN — No, I am not saying that at all, but there are anomalies that come up from time to time, and we have to deal with them.

Mr GUY — I suspect that is going to be in your lifetime or I hope it is in your lifetime!

Mr MADDEN — Well, I am not feeling that well today! But there are logical inclusions that might need to be considered and they might come from local governments making submissions, and currently we have some local governments which have made submissions to us which are not included in these growth areas but are in areas that might be considered. My comments around, ‘Not in my lifetime’ were about the outer urban growth boundary.

Mr GUY — But some of the obvious logical inclusions — if a government failed on VC 55, on development-ready projects — are right next to some of the investigation areas. Are you saying that they only consider logical inclusions which are in non-growth area municipalities? What is the process for logical inclusions to be brought on stream?

Mr MADDEN — What we anticipate is that after we have progressed our current body of work, we would look at some mechanisms being developed for potential small-scale, logical inclusions where anomalies may occur.

Mr GUY — What is small-scale?

Mr MADDEN — At the moment we are looking at thousands of hectares. There are instances where you have land-holders who believe that there are logical reasons for inclusions. In terms of members of the committee, I have met with some land-holders in some of their areas where they are interested in pursuing issues around an inclusion — not necessarily that it is going to make any money or change the footprint of a particular community in a big way but it might have an impact on what can occur on the land nearby, around amenity issues. Some of these examples have been the likes of poultry farming and things like that.

There might be a good reason. It is hypothetical, but I am willing to look at that and develop a body of work around it. I think there is a need for it because I get a growing sense from time to time that there are local governments and land-holders who believe there should be some slight adjustment and that that slight adjustment should bear in mind many issues. They are not necessarily issues around large-scale, greenfield development, they are issues around what makes logical sense for the amenity of the community or an area, and I think there is an opportunity to develop that — —

Mr GUY — Should these logical inclusions not have been picked up in the 2030 audit? Was this not the whole process of the audit?

Mr MADDEN — There were a lot of things presented to the audit. I do not think it was in their terms of reference to look at logical inclusions, but they made comments in relation to the urban growth boundary, when and how it might be adjusted and on what basis. They were not enthusiastic about adjusting the urban growth boundary anyway, but that was before we were able to fully understand the projected population increases and demand going into the future. We have borne all those things in mind, but I am mindful that there may well be minor anomalies that need to be considered, and we need to have a process for that.

The difficulty around the current amendment and any adjustments to the amendment, and the difficulty around any smaller anomalies are of course basically probity issues. That is why I need to be at arm’s length from these things on the basis of giving the community confidence that probity issues are dealt with and also that people have a chance to put their view and it is considered independently from me. We already have mechanisms for that in the planning system, and I think with a body of work there might be an opportunity to develop that, if need be. I am still taking advice on that, but I am mindful that there are people who feel strongly for one reason or another that they should be given the opportunity to at least be heard.
Mr GUY — Just two questions on that: why is there now not in place a process to consider logical inclusions; and secondly, is the government’s priority to expand the urban growth boundary into areas where there is no existing infrastructure as opposed to areas that have existing infrastructure that could be optimised, such as logical inclusions in areas around railway stations, and if not, why is a greenfield site a priority and not a site around an existing railway station?

Mr MADDEN — They are all reasonable comments, I think, too. There will be issues in certain locations, whether they are the sensitivity of the local community, whether they are native vegetation issues. There could be a whole range of issues, and unless a specific site is identified I could not really comment in a lot of detail, but I am mindful that we need to build on existing infrastructure.

We also need to bear in mind what the capacity for that existing infrastructure is and whether you need to upgrade that infrastructure. They are the sorts of debates that occur anyway around what takes place in existing suburbs and what takes place in growth areas. If you have to retrofit some of the infrastructure, that is not without some complexity, but there are also things you can do not to have to retrofit some of that infrastructure.

The example that I heard about in my recent travels overseas which might interest some of the members of the committee is that in some of the big cities in America they are concerned about extreme weather and the occurrence of extreme rainfall incidents, so in some locations they are talking about the concept of a blue roof. In some North American cities the blue roofs are designed to carry the weight of snow. They have a bit more structural capacity to carry a bit more weight.

Mr GUY — Is this part of the logical inclusions process?

Mr MADDEN — No, but it is an extension of some of the infrastructure debate issues which need to be borne in mind. I know I am going off a bit, but they are all worthy considerations. If your infrastructure in the ground cannot cope with additional dwellings, you have to bear that in mind.

The blue roof aspect allows you to put more dwellings in and around existing infrastructure, because the rainfall is held back on the roof for an hour or two beyond the initial rainfall incident. With techniques like that you can often put more buildings in an area where you have got existing infrastructure. Even though the infrastructure may not currently cope, you can do things to the buildings with water retention that can overcome those issues.

They are all issues that need to be taken into consideration around existing infrastructure: that existing infrastructure can cope with additional dwellings and buildings and that if we are to consider the existing infrastructure and how it copes with any adjustments to areas where you might have what people suggest is an anomaly in the urban growth boundary in some of those locations you highlighted, Mr Guy, there might be mechanisms that can be used to alleviate some of those infrastructure issues.

The CHAIR — Thank you, Minister. We are going to have to move on. Mr Guy has a quick question before we move to Mr Tee.

Mr GUY — I have two very quick ones. You said to Ms Broad before that you had details of how many dwellings we need in every municipality over the next 20 years. I wonder if you could make them available to the committee?

Mr MADDEN — Just to qualify that, we know on average the sort of figures we need. In those existing suburbs — and I have made it very public in presentations — we need about 1000 new dwellings on average in each local government area within the existing suburbs for the next 20 years. Given the work that we are doing, that is not overly ambitious; it can be achieved.

The ‘Victoria in the future’ figures nominate the dwellings per municipality; that is in the ‘Victoria in the future’ projections. They are already there, and I am happy to provide that to you. We are doing work with local government around those housing capacity requirements, and we
have done pilot programs in the city of Boroondara — in five municipalities. One of those is Boroondara; one is Bayside; I think one is Moreland; and I cannot remember the last two. In five municipalities we are working with them as to how they could and would manage those numbers within the existing suburbs in a non-controversial way.

My understanding is they have gone very well, so on that basis we would look to do further work with the other municipalities to try to assist them in identifying those needs. We believe that will assist in a number of ways. It will help identify those old industrial sites and identify capacity —

The CHAIR — Thank you, Minister. We are going to have to move on. You have undertaken to provide that data to the committee.

Mr MADDEN — I am happy provide further information on that, Chair.

Mr TEE — Thank you, Minister. I just want to return to the Growth Areas Authority, which is innovative in the sense that we have a separate authority managing planning. I am wondering what you think the advantages are of having a separate authority to manage planning in those growth areas.

Mr MADDEN — There are quite a number of advantages. It certainly allows them to develop a body of expertise in the area around growth areas and particularly develop the relationships and the networks between other government agencies or service providers, particularly the energy retailers and the like and how that is provided. That expertise allows for the body of work to be dealt with.

The other area as well is the expertise around being able to accelerate the precinct structure planning program and in particular the issues around cultural heritage and native vegetation so that they are able to do broader surveys across larger parcels of land that land-holders themselves may not readily either seek to do or be able to do on a broad scale.

That can then identify high value areas worthy of retention and protection, and also identify areas where, whilst they might have some characteristics, they may not necessarily hold significant value. And so it allows that expertise to be developed and worked through the Growth Areas Authority. It also allows them to work in partnership with councils and develop the rapport and relationships and other government agencies, as I have mentioned before.

More importantly, it allows a coordinated approach. That coordination comes about by having groups of experts, and expertise, who can deal with these matters rapidly and the rapport, confidence and trust is as much part of that building of the relationships with all those relevant organisations in order to undertake the works that they need to.

Mr TEE — The other issue is the precinct structure planning guidelines that were launched this year, I think in October: how do those guidelines facilitate better planning around the growth areas?

Mr MADDEN — The guidelines strike the right balance between prescription and flexibility and certainly the guidelines which were launched on 7 October are now being and will be utilised in the development of all those new precinct structure plans. We have some interim guidelines that were issued in September 2006. The new guidelines are designed to change the way, in a sense, these suburbs operate, how they look, how they feel and how they function.

Basically it is about big-picture plans for designing new suburbs on greenfield sites, and they map out everything from local schools, to roads, to open space, to shopping centres, offices and where transport will go. In a sense this is also a forerunner to the infrastructure planning, too. It allows governments at all levels to understand the needs of the infrastructure requirements so that it is not guesswork at a later date, it is planned for and based on the issues around the growth areas infrastructure charge so that we can deliver that infrastructure sooner rather than later, and people are not having to second-guess where the infrastructure should be or what it should be.
So between the precinct structure planning process and that complementing the infrastructure planning, and an infrastructure plan which nominates when the infrastructure should and would have to go in, people can feel confident about how that will be undertaken.

The other element around the new guidelines: they are aimed at providing a structure for all new suburbs to have local centres for transport jobs so that they are walkable suburbs as well. The other issue is around one job created for every new household and a wide range of jobs nearby. In a sense it comes back to some of the issues Mr Barber raised around the types of jobs, and we want an array of jobs. There are some figures that identify there is a need for as many white collar jobs in these suburbs as in any other suburb. The important element is to get more of those jobs closer to or within those communities.

The housing density issues are ones we are very mindful of and 15 houses per developable hectare is the criteria for these new suburbs, and broader housing choice. The precinct structure plan also seeks to provide a diversity of housing types so that it is not just a sort of a uniform community, so that you get the opportunity to have younger people, older people, people with smaller dwellings, different household types make up the community — and that gives a broader depth to the community as well.

As well as that, one of the other key criteria is about efficiency of the way in which the suburb performs in the sense of sustainable living and developing efficiencies and measuring it against key performance measures around cost, land and water use, and of course the environmental rating of the particular dwellings themselves. Those are all key criteria and the precinct structure planning process allows that to be sorted out from the very beginning and give clarity to everybody who is developing in these suburbs.

Mr TEE — You mentioned the environment and also you have talked about the mapping of native flora and fauna, and also the mapping of indigenous cultural heritage happening in both your then policy and your opening presentation. I am just wondering what the advantages are in terms of how that is progressing and what that information is then used for?

Mr MADDEN — I am conscious too that these are not without complexity: the issues around native vegetation and cultural heritage. Particularly the native vegetation issues cause some degree of frustration or have traditionally caused some frustration for people who have purchased land in the anticipation of the ability to develop that land and then to have information come to light after the purchase of the land, that there are issues around either native vegetation or flora and fauna, and cultural heritage matters, has caused some frustration for the industry. The important element is to do the mapping of this sort of work earlier, so that from that planning stage the issues can be identified. The Growth Areas Authority is conducting native vegetation and fauna surveys for large tracts of land inside and adjacent to the urban growth boundary in order to facilitate growth area planning, and the work is being done earlier than before in the development cycle. This gives clarity to many more people.

This will not only save landowners and developers costs in mapping their land but more importantly will give greater certainty in development decisions and, through undertaking large-scale mapping, will provide significant economies of scale. It will ultimately provide better planning outcomes as well as provide significant savings to landowners and developers, and ultimately home buyers, and the activity involves the collection of biodiversity data from all areas within the proposed urban growth boundary.

Areas are assessed in terms of the protection provided by state and commonwealth legislation. The assessments will identify threatened species and significant habitat hectares which will then inform decisions about retention and potential offsets at precinct structure plan stages.

My understanding is that three specific surveys have also been commissioned in regard to three individual species: one is the southern brown bandicoot, one is the growling grass frog, and one is the golden sun moth. It is important because if these are not identified early, there can be a sense of frustration for people who own the land about what they should or need to do in relation to sorts of fauna.
Our aim is to have the highest level of response to biodiversity issues, to have a highly professional and efficient system for ensuring the cost of this work is both done in time and in a sense the resourcing and investment is minimised by doing it all at once but in a broader way.

Mr KAVANAGH — Thank you for attending today and giving evidence, Mr Madden. You have said that changes to the urban growth boundary are based on increasing population, but should not the first response to increasing population be an effective decentralisation policy?

Mr MADDEN — They are very reasonable comments. There are many views around how we can accommodate growth. One of the things we are very mindful of is there are views in the community that growth should either occur in one area or another, and often people in particular areas have a view that either growth should occur more in their area or less in their area and should occur somewhere else.

What we have seen in recent years across the state is significant growth in almost all locations. We have seen fantastic growth in our regional areas, and that is a great thing, and the government has also encouraged that. A lot of that has been about opportunity, about jobs in regional areas, economic development and prosperity in those regional areas. It has also been about levels of investment in some of the infrastructure. It is no surprise that our regional centres are going through a bit of a renaissance, particularly some of the provincial centres, whether it is Bendigo, Ballarat, Geelong, Traralgon — these centres now have dual-lane highway access right to them. They now have fast trains to those locations as well, and as well as that — and I know Mr Barber may not be enthusiastic about this — in a sense the links to the road network, the bypasses that go out through the outer metropolitan area to these dual-lane highways, out to those regional centres, have certainly reduced the time it takes to get to these locations.

Whether it is the Deer Park bypass, the Craigieburn bypass, whether it is the Pakenham bypass, even the ring road around Geelong — some of these areas are not necessarily physically closer, but in terms of commuting time, they are closer than ever before. That has offered people in a sense a great lifestyle choice for these areas, so that if you are prepared to commute from regional centres, if you need to, or work in a regional centre, and you may only have to do business occasionally in the centre of Melbourne, it gives you a great lifestyle opportunity, particularly for families.

My understanding is we have seen families settle in the regions in large numbers, and I think it is a great thing. If you think about the quality of some of our provincial cities and the existing infrastructure and the amenity and the lifestyle there, it is a very attractive option. Even some of those, in a sense, second-tier regional centres we are seeing growth in as well in a very significant way — the likes of Shepparton, Wangaratta, Albury-Wodonga — we have seen massive growth in all those locations, and we will release also a regional blueprint for how to accommodate more of that growth in the forthcoming year.

The only area of the state where we have seen a bit of a decline in population is probably some of the dry-land farming areas, for various reasons, but one would expect that where you have specialised agricultural activity — and mechanisation has taken on a lot of that — and also the farming is done on a much bigger level than ever before, and I look towards Mr Hall as I talk about these things because he would appreciate that farms operate as big enterprises now; and if you are good at operating a farm, whether you are big business or whether you are a farmer, if you have a good farm, you often acquire others, and the scales of economy allow you to be more productive and make more significant investment in that based on productivity. So there is a bit of a decline in that.

We have also got an ageing population in those dry-land farming areas. Some of those ageing farmers or their families are moving back to those centres, so some of those centres are taking some of that growth, but the outer smaller communities in those dry-land farming areas in
probably the Wimmera-Mallee type areas are not seeing the sort of growth, and in some instances the smaller communities are seeing a decline.

The net result of that is we have seen great opportunity for people to be located, or for them to locate in regional centres, and the language is — you have to be careful around this — —

The CHAIR — I am conscious that we are nearly out of time. I would like Mr Kavanagh to have a follow-up question, and Mr Hall too.

Mr MADDEN — I will just finish the sentence. I am just conscious that we can encourage and facilitate, but unlike other countries we do not actually shift people from one location to another.

Mr KAVANAGH — Some have seen more than a bit of a decline, like Nhill, for example. I have already asked you a lot of questions about the GAIC in the house, but you have said that we should move quickly on the GAIC bill because of the effects on the market. What do you mean by the effects on the market?

Mr MADDEN — What is happening is that people are concerned about certainty. Whether they are land-holders, purchasers, developers or proponents, many people in the planning system generally like certainty. Where you have disputed or unresolved matters, that creates anxiety. It is important that we give people certainty around what is the resolution of this matter. We would like to resolve it as soon as possible so that people can make important decisions about their lives, their properties, development, business, investment, or any transition arrangements they might wish to make or whether they stay exactly where they are. It is important that we give people confidence by tidying up this stuff as soon as possible.

Mr KAVANAGH — We are a bit short of time, so I will ask just two questions. One is that you have portrayed the views about when the GAIC should be imposed as disparate, from nobody agreeing. But there is an overwhelming view among land-holders, is there not, that they would prefer that the GAIC be payable at the time of a development application?

Mr MADDEN — I am certainly conscious of that. I am very mindful that we do have a range of views, even within industry, where there is reasonable similarity in their views. The land-holders have similarity in their views to those in industry, but they are not exactly the same. I am conscious that when we do make those adjustments we still do not seem to make people happy. My concern is that more adjustments may still not appease anybody and make them happy. I do notice that we could make some people happy and fewer people more unhappy. They are the vexed questions of planning when you make any decisions, really.

Mr KAVANAGH — You have indicated already today that you would be prepared to consider some amendments to the bill next week. Would that be one that you would be prepared to consider, to make the GAIC payable at the time of a development application, rather than on the sale?

Mr MADDEN — I could not rule anything in or out at this point in time, because I do not make these decisions in isolation. Even though I am the portfolio minister, I have to report to my colleagues. As mentioned, there are a number of colleagues involved in this process, whether it is inside or outside the cabinet. When I say outside the cabinet, we have the transport ministers, the environment minister and me just dealing with certain elements of all this before anything is relayed to cabinet. In any of the decision making around any proposed amendments, I would have to seek counsel from my colleagues as well.

Mr KAVANAGH — With that $95 000 a hectare GAIC, that will affect different landowners very differently, will it not, depending on the value of their land? Would it not be better to have a percentage payment?

Mr MADDEN — Some people have made that comment before. I think the difficulty with the percentage payment is that in a sense it begins to make it more complex. Again, a percentage payment will be of more advantage to some than to others. I am not necessarily sure that that will make everybody happy. The percentage payment also does different things to the land. A single payment is a base payment right across the system. Anything above that is what the industry operates on. When you start to do certain things to different land-holdings you might see the value in land switch pretty rapidly because of that as well, and then you might get outcomes that you had not anticipated because you are tinkering in the marketplace more than with a flat
rate. With a flat rate at least we know everyone is level. Even if some people do not believe it is reasonable or fair, you know you have a single playing field. Once you start to do that differently, it might cause significant adjustments.

The cost of the infrastructure in these areas is predominantly going to be all the same, anyway. So that is more the point. Whether it is the roads or the rail, the vast majority of the infrastructure is the same cost, and this assists in that cost as a standard approach.

Mr KAVANAGH — What percentage rate would have to be charged to collect the same amount of money as $95 000 per hectare?

Mr MADDEN — The $95 000 I am informed covers 15 per cent — it might be slightly upwards of 15 per cent, but about 15 per cent — of the infrastructure costs. If you start to then adjust the rate, you will have more in some areas than in other areas. That might have an impact on the infrastructure investment.

One of the other elements that the industry, as well as people in those areas, have also been very vocal about has been in saying ‘We’d like to see that money spent in our area’. If you have less in one area and more in another area, you are either going to have to shift that across, much to the grievance of the people who have money shifted away from that area, or, if you do not shift the money away, you might compound the complexities around the lack of infrastructure.

Mr KAVANAGH — If the GAIC were to be a proportion of the value of the land, how much would that proportion need to be to make up for $95 000 per hectare?

Mr MADDEN — I could not give you an answer here today. I am happy to try to obtain an answer. I am not sure we have a rigorous amount of work on that, but I am happy to seek to try to find what work we have on that already.

Mr KAVANAGH — I have been told by your people that you have got that figure somewhere.

Mr MADDEN — It could be. I am not saying we do or do not. I am not aware of it, but I am happy to seek it.

Mr HALL — Minister, I am sure you acknowledge the fact that planning across the state needs to be integrated, given that what happens inside the urban growth boundary impacts on what happens outside and vice versa?

Mr MADDEN — Yes.

Mr HALL — With that in mind, recently you imposed some rural planning provisions on the shire of South Gippsland and I think on Mildura as well. That restricted certain developments in those areas. Can you quickly summarise what restrictions have been brought about by your actions, why you intervened, and more importantly, what is now being done to develop rural planning strategies that better reflect local needs?

Mr MADDEN — They are all good questions, Mr Hall. I am conscious that you are very mindful of these, particularly in your local area. The issue we have in some of the areas like those towards Mildura and South Gippsland is that we want to maintain those areas as productive agricultural areas. We are mindful that land-holders often want to subdivide their land in various ways to capitalise on the value of the land, and some of those subdivisions end up providing opportunities for lifestylers to, in a sense, the degradation — I am not talking about to the land but in terms of the economic value — of the productivity of agriculture in a particular region.

In South Gippsland, in particular, we have some of the most productive agricultural land in the state, so we are very conscious that we do not want to lose the agricultural capacity of that land. In Mildura we have slightly different issues, but a lot of that is around the size of the settlement. We have announced that we have limited the subdivision capacity of any land-holder, and no doubt there are some people who are slightly aggrieved by that — maybe ‘slightly’ is an understatement; we might have a few who are very aggrieved — because they feel that they have
lost some value in that land. The agricultural production value is still there. What they might have lost is the prospective subdivision potential of that land for housing.

It is not to say that there are not the ways and means of doing this that allow people an alternative option to put, say, another dwelling on a title, or for councils to come up with some solutions around locating housing in particular nodes — slightly different from townships, but in nodes — and still maintain the greater productive agricultural qualities of that land. We want to get to that place.

Some of these municipalities have a foot in both camps, in a sense. They want to see economic development and land subdivision, but they also want to keep the agriculture. It is not easy for local governments to deal with that unless they have done some strategic work. So what we have basically done is to say these are the controls that are in place; we will work with councils until we can come up with a better formula. I know that in some of those locations there are some land-holders who have entered into arrangements and this has created some difficulty for them.

What we have said to those councils both in Mildura and also recently in South Gippsland, and I know you have highlighted some incidents in the Parliament of some land-holders who are in difficult circumstances, if they could give us a list of those land-holders who have legitimate hardship issues because they have entered into some arrangement — and not hardship because they have just lost the ability to capitalise on developable land — and if they can provide us with the nature of the hardship issues, then we will consider those on their merits and try to come up with some complementary arrangements.

Mr HALL — That would be an interim measure while more flexible planning schemes are being developed?

Mr MADDEN — Yes, it is anticipated that we could come up with something more flexible in the long term. For some of this handful of land-holders who are in a difficult circumstance, and it might be the way in which they have entered into financial arrangements, we are happy to consider those, and if we have to make adjustments specifically for those, we might be prepared to consider that, but we have to receive that advice from the council, not just the land-holder. In a sense the council would have to validate some of those matters as well. But in both those locations we anticipate that by working with councils, seeing them invest a bit of money in their strategic work, we could come up with some more flexible controls for some of these land-holders that would give them the opportunity to do slightly different things from what they currently can do.

The CHAIR — Thank you, minister. The committee appreciates your evidence here this morning on these matters. There are some matters you have taken on notice that the committee will follow up with, and as Mr Barber flagged, the committee may be interested in getting more specific detail, particularly on VC55 and where the government is heading. We will have a draft version of the transcript to you in the next couple of days for any corrections you wish to make.

The committee thanks you, Ms Digby and Mr Gilmore for your attendance here this morning. Witnesses withdrew.
APPENDIX 9 – RESPONSE TO QUESTIONS TAKEN ON NOTICE 2 DECEMBER 2009 HEARING
Minister for Planning

2 0 DEC 2009

Our Ref: CMIN016448

Mr Richard Willis
Secretary
Council Committees
Parliament House
EAST MELBOURNE VIC 3002

Dear Mr Willis

INQUIRY INTO DEPARTMENTAL AND AGENCY PERFORMANCE AND OPERATIONS

Further to your letter of 7 December 2009 I am pleased to provide advice on the matters taken on notice.

Copies of any advice to the Government on the issue of how streamlining planning reforms could achieve potential savings of $10,000 per lot for homebuyers in the growth areas.

I am currently awaiting legal advice in relation to the information sought on streamlining planning reforms and potential savings for homebuyers in the growth areas. I expect to respond directly to the Committee on this issue early in 2010. I am, however, aware that Mr Searle from the GAA has previously provided you with the basis of this calculation.

Advice as to the average uplift or average valuation increase for land brought within the Urban Growth Boundary

The Growth Areas Authority recently sought my advice in regards to releasing information about advice on property uplift resulting from land being brought within the Urban Growth Boundary. Their concern related to the potential breach of privacy considerations for both vendors and purchasers of properties used as part of their research. I have advised the Growth Areas Authority to provide that information to your Committee in a manner which does not breach privacy concerns and I would anticipate your Committee receiving that information shortly. I would encourage you to contact Mr Ed Small at the Growth Areas Authority directly on 9651 8600 if you require clarity on the timing of the release of that data.

Background technical papers relating to the review of the urban growth boundary

The full set of technical papers relating to the review of the Urban Growth Boundary were made available via the Delivering Melbourne’s newest sustainable communities websites and as a DVD, a copy of the DVD is provided as part of this correspondence.

Victoria The Place To Be
Progress on the environmental strategic impact assessment of the urban growth boundary.

The Victorian Government has undertaken a strategic assessment of the potential impacts of Delivering Melbourne’s newest sustainable communities, covering the expansion of the Urban Growth Boundary and the alignments for the Regional Rail Link and the Outer Metropolitan Ring / H5 Transport Corridor on matters covered by the Commonwealth Environment Protection and Biodiversity Conservation Act 1999.

A Strategic Impact Assessment report for this program was provided for public comment in June 2009 and is included on the DVD set of technical papers. The report was updated in October 2009 and made publicly available at Department of Sustainability and Environment’s website. A copy of that updated report is included in this correspondence.

The Commonwealth Government is considering its endorsement of the program. Officers from the Department of Planning and Community Development and Department of Sustainability and Environment are currently resolving minor technical issues with officers from the Department of Environment, Water, Heritage and the Arts.

The basis for the Premier’s statement on 12 November 2009 that any delay in Parliament passing the GAIC Bill will cost $25,000 to $30,000 per block of land.

Land supply is an essential component of housing affordability. It is not only a State issue but impacts more broadly at the National level.

The Melbourne market represents 45% of the national sales total and is by far the major contributor of any capital city towards residential land for the nation. This market has a competitive pricing structure which underpins a diverse product range.

Recent independent national research has found that the Melbourne market accounts for 51% of the nation’s lowest-priced quartile land and a further 56% of the second lowest quartile.

Furthermore, the median price for land in Melbourne in the quarter to September 2009 was $174,000, well under the national median of $204,000.

There is a clear link between land supply and housing affordability and delays in approving the Growth Areas Infrastructure Contribution will reduce land supply in growth areas thus placing upward pressure on land prices. Independent advice to the GAA indicates that delays in increasing residential land supply will increase land values by these amounts ($25,000 to $30,000 per block of land) within several years.

Further information as to how many dwellings are required in each municipality on average in the next 20 years.

Information on current population and household projections is provided by Department of Planning and Community Development and can be found in Victoria in Future 2008. This includes Local Government Area projections for the period 2006 to 2026. A summary of this data is provided here;
### Growth of Structural Private Dwellings

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<tr>
<td>Cardinia (S)</td>
<td>36,130</td>
</tr>
<tr>
<td>Casey (C)</td>
<td>58,665</td>
</tr>
<tr>
<td>Darebin (C)</td>
<td>12,574</td>
</tr>
<tr>
<td>Frankston (C)</td>
<td>17,845</td>
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<td>9,982</td>
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<td>Whittlesea (C)</td>
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<td>Waverley (C)</td>
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<td>Yarra (C)</td>
<td>9,618</td>
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<td>Yarra Ranges (S)</td>
<td>6,303</td>
</tr>
<tr>
<td>MSD Total</td>
<td>604,401</td>
</tr>
</tbody>
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With respect to a scenario in which GAIC was calculated as a proportion of land values, what proportion would be required to account for $95,000 per hectare.

The proposed Growth Areas Infrastructure Contribution will be used to provide essential State infrastructure necessary for the creation of integrated communities. The Government supports a uniform approach to funding this essential infrastructure as set out in 2005 when the Government released *A Plan for Melbourne’s growth areas.*
Using a proportional approach to the calculation of the Contribution would create confusion and uncertainty for land owners and future purchasers as the amount would vary each time the value of land changes.

Under such a scenario, where it is sought to match $95,000 per hectare as a proportion of land value, the proportion would - by definition - have to vary depending on the value of the land in question.

Clearly each individual parcel of land is valued in its own right, and varies within growth areas between growth areas and over time.

For example, as outlined in a previous Growth Areas Authority Information Sheet, research on indicative land values shows that values for land within the Urban Growth Boundary used zoned for urban development can typically vary from around $225,000 to $450,000 per hectare or more across Melbourne’s different growth areas.

In terms of accounting for the $95,000 per hectare equivalent, this would necessitate a range in the proportion between 42% to 21% for the above illustrative $225,000 to $450,000 range. There would be no ‘standard’ consistent percentage.

Similarly, the value of land changes over time, and such changes in value may well be at a different rate to which the Growth Areas Infrastructure Contribution is indexed over time, which again adds considerable complexity to trying to establish a relevant constant ‘proportion’ that may apply across all land and over time.

It should be noted that there are a number of issues in relation to adopting such a ‘proportion of land value’ approach, or other ‘variable’ rate approaches compared to a flat dollar rate per hectare, including:

- The cost of State infrastructure is generally similar across all areas, and therefore land that benefits from such infrastructure should equally contribute towards the provision of such infrastructure. A ‘variable rate’ approach would mean land contributes to such infrastructure on an inequitable basis.

- Problems of consistent application across all Growth Areas Infrastructure Contribution trigger events, as there are difficulties in having a variable rate when the Growth Areas Infrastructure Contribution event is a subdivision or building permit as there is no ‘sale price’ or land value to work from.

- Significantly greater administrative complexity for both the land owners and the purchasers, as well as for the collection and administration agencies.

- Significantly increased administrative and legal challenges, along with associated costs, in the process of determining the ‘valuation’ to adopt to have a variable rate on.

- Lack of certainty to landholders and purchasers as to what the actual costs are likely to be as the future land value will not be known.

- Variable rates have proven not to work elsewhere due to the complexity and legal challenges to the basis of the valuations.
The Victorian Government remains committed to our vision and long term plan for managing Melbourne’s future growth and I look forward to working with my parliamentary colleagues in delivering liveable communities now and into the future.

Yours sincerely,

JUSTIN MADDEN MLC
Minister for Planning
APPENDIX 10 – RESPONSE FROM MINISTER FOR PLANNING REGARDING STREAMLINING PLANNING REFORMS
Minister for Planning

Ref. BM006789

Mr Richard Willis
Secretary
Parliament House
EAST MELBOURNE VICTORIA 3002

Dear Mr Willis,

RE: INQUIRY INTO DEPARTMENTAL AND AGENCY PERFORMANCE AND OPERATIONS OF THE GROWTH AREAS AUTHORITY

I refer to my letter to you dated 20 December 2009.

My Department and the Growth Areas Authority have identified 8 documents that are relevant to the Standing Committee on Finance and Public Administration’s request for copies of advice to the Government on the issue of how streamlining planning reforms could achieve potential savings of $10,000 per lot for homebuyers in the growth areas.

I have enclosed one relevant document prepared by the Growth Areas Authority titled “Housing Affordability: a summary analysis of potential savings which could arise from reforms to the growth areas planning process” dated 12 October 2007.

The other seven documents, described in the attached schedule, attract executive privilege for the reasons set out in the schedule. These documents will therefore not be released to the Committee.

Yours sincerely,

JUSTIN MADDEN MLC
Minister for Planning

Enc.

Privacy Statement:
The personal information above may be updated under the provisions of the Information Privacy Act 2009. It will only be used as directed by the Minister of the Information Privacy Act 2009. It will only be used as directed by the Minister of the Information Privacy Act 2009.
<table>
<thead>
<tr>
<th>DOCUMENT</th>
<th>DESCRIPTION</th>
<th>BASIS FOR CLAIM OF EXECUTIVE PRIVILEGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Brief from DPCD to Minister for Planning for monthly meeting with CEO of the Growth Areas Authority, 23 October 2007.</td>
<td>Brief</td>
<td>Release of this document would reveal high-level confidential deliberative processes of the Executive Government, or otherwise genuinely jeopardise the necessary relationship of confidentiality between a Minister and a public servant.</td>
</tr>
<tr>
<td>2 Brief from Growth Areas Authority to Minister for Planning, [October 2007]</td>
<td>Brief</td>
<td>Release of this document would reveal, directly or indirectly, the deliberative processes of Cabinet.</td>
</tr>
<tr>
<td>3 Cabinet submission to ESOC on “Improving outcomes in Melbourne’s growth areas: streamlined planning and action of development contributions”, 10 November 2007.</td>
<td>Cabinet Submission</td>
<td>Release of this document would reveal, directly or indirectly, the deliberative processes of Cabinet.</td>
</tr>
<tr>
<td>4 Cabinet Submission to ESOC on “Planning system reforms in growth areas – Coordination of State agencies and the role of Growth Areas Authority as Planning Authority”, 17 December 2007.</td>
<td>Cabinet Submission</td>
<td>Release of this document would reveal, directly or indirectly, the deliberative processes of Cabinet.</td>
</tr>
<tr>
<td>5 Draft Cabinet Submission for ERC on “Reform of Development Contributions” Lodged for December 2007 ERC.</td>
<td>Cabinet Submission</td>
<td>Release of this document would reveal, directly or indirectly, the deliberative processes of Cabinet.</td>
</tr>
<tr>
<td>6 Draft Cabinet submission prepared by the Growth Areas Authority for ESOC, Draft prepared April 2008.</td>
<td>Draft Cabinet Submission</td>
<td>Release of this document would reveal, directly or indirectly, the deliberative processes of Cabinet.</td>
</tr>
<tr>
<td>7 Cabinet submission prepared by DPCD with input from Growth Areas Authority to ERC.</td>
<td>Cabinet Submission</td>
<td>Release of this document would reveal, directly or indirectly, the deliberative processes of Cabinet.</td>
</tr>
</tbody>
</table>
Housing Affordability:

a summary analysis of potential savings which could arise from reforms to the growth areas’ planning process.

12 October 2007

DRAFT FOR DISCUSSION PURPOSES
# Table of Contents

1. Executive Summary .................................................. 3  
2. Savings to Developers ............................................. 4  
   2.1 Savings through a reduction in holding costs ............... 4  
   2.2 Savings through a reduction in Administration Costs ........ 6  
   2.3 Savings to Local Government .................................. 8  
   2.4 Savings to Consumers through changing Supply Elasticity .... 10  
3. Economic Benefits on the Victorian Economy .................... 12  
4. Net Impact of Changes ............................................ 12  
5. Conclusion .......................................................... 13
1. Executive Summary

This paper explores the impacts of the proposed growth areas planning reforms on housing affordability.

The opportunity exists to realise substantial savings for the Victorian Community through the introduction of reforms to the growth areas planning process. These savings would contribute to increasing housing affordability by keeping downward pressure on prices of dwelling lots in the growth areas.

The majority of the impact and potential savings will be through the reduction of holding costs and through the increase in the supply of appropriately zoned land readily available for development. There are further, smaller, direct savings through the reduction of administrative and consultancy costs.

Overall, it is estimated that potential savings of between $3,688 and $9,535 per residential housing block ought to be able to be realised and passed on to the end housing purchaser. With the anticipated future demand over the next 25 years (215,000 lots) this could result in savings of between $0.8 billion and $2 billion.

In addition, a proportion of the time saved in the rezoning process will lead to an increase in the supply responsiveness of serviceable developable land. If the time taken to convert greenfield sites to developable land was to be reduced by one year, this would lower the growth in house prices by around 1.6% percentage points, i.e. $5,000 on a $300,000 house and land package, all other things being equal.

End purchasers could directly benefit from this price moderation, if rezoning timeframes and trunk infrastructure availability could be significantly improved across the board. This would lead to a much more responsive supply side to the land market. For the predicted 215,000 lots, this could amount to consumer savings in excess of $1 billion over the twenty five year period. These latter savings may partially overlap with a proportion of the estimated holding and administrative savings mentioned above.

There will also be the additional yet to be quantified boost to the Victorian economy achieved through bringing forward of investment for housing and industry.

In summary, the streamlining reforms for the growth areas are likely to result in overall cost savings and reductions in the order of $1.8 billion to $3 billion over a twenty five year period. For the purposes of modelling the GA recommends that potential cost reductions/savings of $10,000 per house lot be used.
2. Savings to Developers

One of the major variable costs associated with the releasing of appropriately zoned land for development in the growth areas is the costs associated with holding the land over time. It typically takes five years on average for land to be rezoned and a dwelling to be completed, and this excludes any prior period of land holding.

The average cost to purchase a house block to the developer in the Melbourne growth areas is currently estimated to be in the range of $50,000 to $60,000. The potential savings in holding costs of that land for an eighteen month period would be between $2,818 and $8,485 per housing block.

For the purpose of these calculations, the demand for housing blocks in the growth areas over the next 25 years is forecast conservatively to remain at 11,000 per annum. If the current zoned areas are excluded, a further 215,000 blocks will be zoned and released in the growth areas over this period, some of which would need to come in from outside the existing urban growth boundary.

In addition, there are the administrative savings from consultancy and communication activities developers are likely to realise from the streamlining process which could amount to $850 per house block.

The broad-acre green-field developers would be able to pass all or most of this cost reduction through to the housing purchaser, and market forces could be anticipated to achieve this over the medium term.

2.1 Savings through a reduction in holding costs

The holding costs of developable land will reduce if the length of time land is held pending approval for development approval is reduced.

The holding costs of the developer would differ depending upon what stage the developer acquired the land. If the developer purchased the land and then began the planning process, they would incur holding costs of that land for the full duration of the planning period. If they acquired the land at some point during that process, the holding costs would correspondingly be less.

In some cases, the developer may, rather than acquire the land, pay an amount (annual or otherwise) to secure first right to purchase the land pending a certain outcome, such as the issuing of planning approval. In this latter instance, the holding costs would differ from the previous example. This option is generally less costly to the developer than the first method above, but more expensive than the third option as set out below.

A third method, and the one with the lowest holding costs to the developer, is where the developer buys the land over a longer term, paying an initial (say 10%) deposit, and paying the remainder on settlement after an agreed period to allow for the precinct structure planning and rezoning to have been undertaken, often around two to three years.
In order to calculate the potential holding cost savings to a developer, two different methodologies have been employed so as to produce a range of possible cost savings to the developer. The first alternative has the developer purchasing the land at the beginning of the process at the upper range of the price per lot ($60,000). The second method uses the most conservative parameters, namely the $50,000 per block purchase price, and the purchase price of a 10% deposit and settlement in three years.

Taking the average land block price range of $50,000 to $60,000 paid for large tracts of undeveloped land for residential purposes, the holding cost savings could be between $2,838 and $8,665 per housing block. This cost is very dependent upon the borrowing rate the developer is able to source.

The cost savings are based on the following calculations:

a) Acquisition prior to undertaking the planning process.

- Raw land estimated to be purchased at around $400,000 per hectare (though this price does differ by a significant range dependant upon the growth area). It is estimated that up to 45% of the gross land is lost to developable purposes, and the remaining 55% of each raw hectare is developed for lots and local roads. This translates into 6.7 lots per gross hectare (12.2 lots per developable hectare x 55%). The estimated cost per developable lot is therefore approximately $60,000.

- Borrowings to fund the holding of that land for an 18 month period is $60,000 at 8.5% per annum for 18 months = $7,650

- Land tax at say .8% per annum for 18 months = $720

- Council rates at say .0035 per dollar for 18 months = $315

Total $8,685 for an eighteen month period.

Based on the reduction of holding costs for an eighteen month period of $8,685 per block, the estimated future demand for currently unzoned growth area land (215,000 lots) could provide savings of around $1.8 billion.

b) Acquisition by way of a 10% deposit, settlement in 3 years.

- If there is an 18 month reduction in the time taken for a Precinct Structure Plan approval taking the planning process up to the point of an application for a planning permit for Subdivision. Then it is considered that under the 10% deposit/settlement in 3 years scenario, one year of the time saving would occur in the period before settlement, and six months of the time savings would relate to the subsequent period, once settlement has occurred.

  - The KPMG report into Housing Affordability in Victoria in June 2007 estimated growth area land costs to the developer to be $50,000 per lot. The land is purchased at 10% deposit ($5,000), balance payable in three years.

  - Borrowings on $5,000 at 8.5% per annum = $423 savings for one year.
Once settlement occurs, there will still be reduction in the subsequent planning process through the absorption of the currently separate processes of the Planning Scheme Amendment and the Development Plan. This subsequent period will incur savings calculated below:

- borrowings on $50,000 at 8.5% per annum for six months = $2,125
- land tax at say 0.8% per annum for six months = $200
- council rates @ $0.034 per dollar for six months = $88

Total = $2,338 for an eighteen month period

This results in holding costs savings for the eighteen month period for the developer of $2,338 per lot based on the conservative calculations. Overall, for the 25,000 growth areas lots to be zoned and released over the next 25 years, this would amount to an accumulated reduction of costs of $6 billion.

In summary, the range of savings through the reduction in holding costs would vary from between $2,338 to $8,685 per house block or $6 billion to $1.8 billion over a twenty five year period.

This saving would likely translate into a reduction in the price paid by the home purchaser.

2.2 Savings through a reduction in Administration Costs

The strategy entitled A Plan for Melbourne’s Growth Areas 2005 anticipated that at least 220,000 houses will be being built in the Growth Areas over the following 25 years. The current supply of lots within the UGB (assuming a density of 12.2 amounts to around 104,600 lots) is inadequate to meet this full demand, and at current consumption levels will be absorbed in around fifteen years.

A cut in red tape and the regulatory burden would have the effect of increasing the supply of serviced residential allotments in the Growth Areas as well as providing a direct cut in costs to Government, developers and planning consultants.

The plan would be to replace the estimated 200 Planning Scheme Amendments within the current UGB with only 30 combined Precinct Structure Plans (PSP)/Planning Scheme Amendments (PSA). Through the removal of duplication within the process, each of these combined PSP/PSA’s would be able to be completed in a more timely and effective manner. Further, the requirements to prepare development plans in addition to the precinct structure plans will be removed.

The direct administrative cost savings through reduction in duplicated processes to the developer include:
<table>
<thead>
<tr>
<th>Phone Calls</th>
<th>Correspondence</th>
<th>In Trays</th>
<th>Meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing Process</td>
<td>2061</td>
<td>1573</td>
<td>3000</td>
</tr>
<tr>
<td>Streamlined Process</td>
<td>1367</td>
<td>1061</td>
<td>1980</td>
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<tr>
<td>Activity Reduction</td>
<td>641</td>
<td>512</td>
<td>1200</td>
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</table>

**Assumptions**

- The phone call is to the planning authority or government agency, i.e., the cost is for 1 person. 9 minutes per call.
- 20 minutes in preparation / review / sign-off time for each correspondence. Correspondence is to the planning authority or government agency, i.e., the cost is for 1 person, includes mailing costs.
- 15 minutes review / analysis / action off time for each correspondence. The item is to / from the planning authority or government agency, i.e., the cost is for 1 person.
- Existing meeting is 1 hour. Travel time is 1 hour. Meeting is with the planning authority or government agency. Proponent is represented by 2 persons.
- Streamlined meeting is with the planning authority or government agency. Meeting is 1 hour. Travel time is 1 hour. Proponent is represented by 4 attendees.

**Cost per unit of activity (conservative)**

<table>
<thead>
<tr>
<th></th>
<th>Phone Calls</th>
<th>Correspondence</th>
<th>In Trays</th>
<th>Meetings</th>
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<tr>
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<td>$19,000</td>
<td>$172,800</td>
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<tr>
<td>Proposed process</td>
<td>$20,895</td>
<td>$50,050</td>
<td>$49,500</td>
<td>$294,000</td>
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**Cost for all actions**

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</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>$356,465</td>
<td>$417,355</td>
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</table>

**Total Administrative cost - existing Process**

<table>
<thead>
<tr>
<th></th>
<th>Existing Process</th>
<th>Proposed Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>$356,465</td>
<td>$417,355</td>
</tr>
</tbody>
</table>

**Net saving to business by implementation of new process**

<table>
<thead>
<tr>
<th></th>
<th>Existing Process</th>
<th>Proposed Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>$356,465</td>
<td>$417,355</td>
</tr>
</tbody>
</table>

The 30 combined PSP/PSA amendments replace approximately 200 Planning Scheme Amendments resulting in administrative cost savings to business of $38,772,350.
10 Precinct Structure Plans are anticipated to be able to be completed each year. The direct savings to business through reducing regulatory requirements is anticipated after the changes are implemented to amount to $19,590,784 over each of the first three years, by which stage all of the combined PSP/PSA’s within the existing UGB are scheduled to be completed.

In addition to this, further savings will be realised through the reduction in consultancy fees for the preparation of 30 combined PSP/PSA, ($250,000 per Plan) as opposed to 200 Planning Scheme Amendments ($200,000 per amendment). This will result in further business cost savings of in excess of $30,000,000.

These savings would equate to around $850 per residential lot for the current unzoned residential land (approximately 104,660 lots) within the growth area.

2.3 Savings to Local Government

The plan would be to replace the estimated 200 Planning Scheme Amendments with only 30 combined PSP/PSA. Through the removal of duplication within the process, each of these Structure Plans would be able to be completed in a more timely and effective manner than one of the existing required structure plans. Also, the requirement to prepare development plans will be removed.

The direct administrative cost savings through reduction in duplicated processes to the Council include:
## STANDING COMMITTEE ON FINANCE AND PUBLIC ADMINISTRATION

Report on Growth Areas Authority’s Performance and Operations

<table>
<thead>
<tr>
<th>Process</th>
<th>Phone Calls</th>
<th>Correspondence</th>
<th>In trays</th>
<th>Meetings</th>
<th>Council Reports</th>
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<td>Existing Process</td>
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<tr>
<td>Streamlined Process</td>
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<td>400</td>
<td>70</td>
<td>8</td>
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<tr>
<td>Activity Increase</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>0</td>
</tr>
</tbody>
</table>

### Assumptions

- The phone call is to the developer or government agency, i.e., the cost is for 1 person.
- 9 minutes per call

- Correspondence is to the developer or government agency, i.e., the cost is for 1 person.
- Includes mailing costs.

- 30 minutes in preparation/review/sign-off time for each correspondence.

- 15 minutes in review/analysis/action-off-time for each correspondence.

- The item is to/from the developer or government agency, i.e., the cost is for 1 person.

- Existing Meeting is 1 hour.
- Travel time 1 hour.
- Meeting is with the developer or government agency. Council represented by 2 persons.

- Streamlined Meeting is with the developer or government agency. Meeting is 1 hour. Council represented by 2 attendees.

### Cost per unit of activity (conservative)

<table>
<thead>
<tr>
<th>Activity</th>
<th>Cost per call including cost of call and overheads to business</th>
<th>Cost per correspondence including cost of postage</th>
<th>Cost per correspondence including cost of call and overheads to business</th>
<th>Existing</th>
<th>Streamlined</th>
<th>95 hours per report, at say $100 per hour</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing</td>
<td>$15,000</td>
<td>$17,500</td>
<td>$25,000</td>
<td>$20,000</td>
<td>$100 per hour x 2 persons x 2 hours</td>
<td>$100 per hour x 2 persons x 2 hours</td>
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<tr>
<td>New</td>
<td>$15,000</td>
<td>$17,500</td>
<td>$25,000</td>
<td>$20,000</td>
<td>$100 per hour x 2 persons x 2 hours</td>
<td>$100 per hour x 2 persons x 2 hours</td>
</tr>
<tr>
<td>Total</td>
<td>$30,000</td>
<td>$35,000</td>
<td>$50,000</td>
<td>$40,000</td>
<td>Total $57,500</td>
<td>Total $67,000</td>
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</table>

### Total Administrative cost - Existing Process

- 200 x $75,000 = $15,000
- $11,500,000

### Total Administrative Cost - New Process

- 30 x $75,000 = $2,250,000
- $2,250,000

### Net Saving to Councils by implementation of new process

- $9,490,000
The 30 combined PSP/PSA’s replace approximately 200 Planning Scheme Amendments resulting in administrative cost savings to the Councils of $9,490,000 over the currently scheduled fifteen year implementation period.

In addition to this, further savings will be realised to the Councils through the reduction in consultancy fees for the preparation of 30 combined PSP/PSA’s ($230,000 per Plan) as opposed to 200 Planning Scheme Amendments ($140,000 per amendment). This will result in further Council cost savings of in excess of $22,000,000 over the currently scheduled implementation period.

These savings would equate to around $300 per residential lot for the current unzoned land within the growth area to the council, but this saving may not be directly passed on to the purchaser of the dwelling.

Furthermore, through the proposed elimination of the need for development plans other administration costs will also be saved by the Councils. Also, a number of councils have, or have proposals to, introduce Community Infrastructure Levies (CIL). Collection of a Community Infrastructure Levy is an administrative burden on local councils. The proposed Infrastructure Recovery Charge (IRC) will reduce this administrative burden, and, further savings would arise for the councils through this workload reduction.

The extent of these savings is excluded from the analysis at this stage, and highlights the conservative nature of these estimates.

2.4 Savings to Consumers through changing Supply Elasticity

Increasing the supply of developable land within the growth areas will have a two fold result on housing price levels.

Firstly by increasing the supply of land, it will contribute to reducing the potential house prices in event of increased demand, and secondly, in a situation of constant demand, by having an increasing supply available it is likely to reduce the selling price of land.

A preliminary study on supply elasticity by SGS (2007)\(^1\) has confirmed that improving supply side efficiencies could have a positive impact in addressing the housing affordability crisis, and could help dampen the house price growth created by demand surges. The economic explanation for this is that the sluggishness of supply responses to demand surges (or ‘price inelasticity’) is a major contributor in the housing affordability ‘crisis’, according to the Productivity Commission’s enquiring into First Home Ownership, completed in 2005.

---

\(^1\) SGS 2007 “Supply Elasticity Analysis”, unpublished internal study
This can be illustrated by reference to the demand and supply diagram below:

Figure 1 Impact of Supply Inelasticity on Housing Prices

If aggregate demand for housing (dd) increases due to rising incomes, migration and new household formation, the demand curve will push out to the right (d' d''). This sets a new (higher price) against the supply curve (ss) and only generates a small increased flow of housing services. Some households at the margin of affordability will be pushed out of the opportunity to purchase altogether. (Incidentally, provision of the First Home Owners Grant simply pushes the demand curve further out to the right, i.e. increases demand with only a marginal increase in supply.)

However, if supply responded more readily (for example, the ss' curve), it would respond to these demand surges (that is, the supply curve is more elastic), and the price increases would be considerably smaller.

In regards the impact resulting from a permanent increase to the overall supply of developable land within the growth areas, it is likely to result in a downward of the whole supply curve, i.e. prices will reduce.

The study on Melbourne’s growth areas shows that if the ratio of supply of developable lots relative to the underlying demand were to be improved by 1 year, this could lower the growth in house price by 1.63 percentage points in the following year. This equates to around $5000 on a $300,000 house and land package.

However, in order to realise this financial benefit, other factors, such as the timely completion of appropriate infrastructure would also need to be resolved, or the increase in the supply of developable land would not have been achieved.

This analysis highlights an important role to be played by the GAA. By intervening to lift the ratio of available lots to underlying demand, through such things as overcoming land fragmentation, advancing trunk infrastructure, streamlining rezoning process and fast tracking re-zoning hearings etc, the GAA could significantly contribute to alleviating demand driven price pressure.
3. Economic Benefits on the Victorian Economy

Melbourne 2030 is projected to generate significant economic gains to the Victorian Economy by way of reduced vehicle operating costs, reduced travel times and reduced infrastructure extension costs. This productivity gain has been estimated to be between 1 to 3% of the Victorian economy. The development of the growth areas will make a considerable contribution towards this economic gain.

Therefore, economic gains will result to the Victorian economy through bringing the investment in the growth areas forward through the accelerated release of land for housing and industrial development.

The streamlining of the planning process for the growth areas will also result in an improvement of Victoria’s already favourable competitive advantage in housing affordability in comparison with the other States. This will also contribute to additional growth in the Victorian economy.

The impact of these changes have not been attempted to be quantified for the purposes of this paper.

4. Net Impact of Changes

From the above it can be demonstrated that reductions in time in respect of the planning processes for the growth areas are likely to result in substantial savings to the Victorian economy and a significant proportion of these savings are likely to be passed to the end purchaser of the house.

The potential savings to the house purchaser are identified as follows:

- developers holding costs of between $2,838 and $8,685
- reduced administrative and consultancy costs for developers $850

A total of between $3,688 and $9,535 per house block. For the 215,000 housing lots required, this amounts to savings in the range of $8.8 billion and $2 billion over a twenty-five year period.

In addition, the GAA considers that a proportion of the time saved in the rezoning process will lead to an increase in the supply of developable land. If the supply of lots to developable land were to be increased by one year, this could lower the growth in house prices by around 1.63% percentage points, i.e., $5,000 on a $300,000 house and land package, all other things being equal. End purchasers could directly benefit from this price moderation, if rezoning timeframes and infrastructure availability could be significantly improved across the board, leading to a much more responsive supply side to the land market. For the 215,000 lots, this could amount to consumer savings of in excess of $1 billion over the twenty-five year period. In order to be conservative, for the purposes of the savings calculation, the increase in the supply of developable land has been limited to one year only.