

CORRECTED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into 2002–03 budget estimates

Melbourne – 18 June 2002

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Mr B. McDonald, Chief Finance Officer, Corporate Finance Division, Department of Infrastructure;
and
Mr. T. Arnel, Commissioner, Building Commission.

The CHAIRMAN — I welcome from the Department of Infrastructure Mr Paul Jerome, executive director, planning, heritage and building division; Mr John Collins, director, strategic planning division; and Mr Bob McDonald, chief finance officer, corporate finance division; and Mr Tony Arnel, commissioner, Building Commission.

I invite the minister to give the committee a brief presentation in relation to the planning portfolio.

Ms DELAHUNTY — As with the other portfolios that I have responsibility for, I would like to present the planning portfolio. A priority under the government's 10-year Growing Victoria Together vision is to have stronger communities — that is, communities linked with better infrastructure and higher quality services. Linking Victoria initiatives are an important part of this, about which my colleague the Minister for Transport will speak to the committee in detail, but which in conjunction with my planning responsibilities we believe will improve the liveability of Victorian communities.

Consultation with communities is an important feature of Growing Victoria Together. Examples in the planning portfolio include the state planning agenda, Rescode and the metropolitan strategy. Regional planning initiatives will be developed in consultation with communities and stakeholders. That is the hallmark, we believe, of this government.

Overheads shown.

Ms DELAHUNTY — I refer firstly to the growing Victorian economy. This is a very strong good-news story for Victorians. Victoria has outperformed all other states, achieving its best ever building activity figures for the calendar year. According to Australian Bureau of Statistics figures the value of total building approvals for Victoria was \$12.1 billion. This compares very favourably with \$11.7 billion in building approvals for New South Wales and \$6.5 billion in approvals for Queensland. This is a 16 per cent increase for Victoria compared with the last calendar year. And if we just run through some of the figures to show the increase, in 1998 it was \$8.7 billion in building approvals, rising to \$12.3 billion in 2001. In 1999 it was \$9.9 billion; and in 2000 it was \$9.7 billion.

Improved sites have been an important part of work we have been doing in planning, certainly under my predecessor and continuing under my leadership, where state government approval is required in the central city area of Melbourne. We have already approved over \$3 billion worth of development this financial year. Embedded in that is solving some of the more intractable problems under the previous government — what we have called the bomb sites around town — which we certainly know we are moving to solve or have solved. For example, a permit was granted for the former Russell Street police headquarters in September last year. Australand's big Freshwater Place, Southbank — development was approved in August. The Southern Cross hotel site also got the go-ahead in April this year; Melbourne Central this year; others include the former Queen Victoria hospital site, which we were discussing in a previous portfolio responsibility; apartments in City Road; and the Lend Lease NAB head office. Those are some examples of solving and improving the sites around the city.

Some of the achievements in the planning portfolio — and again I pay particularly strong tribute here to John Thwaites as the previous Minister for Planning: we have set out as a government to provide certainty, accountability and consistency in planning decision making. Evidence of that is the state planning agenda. We believe an integrated suite of policy initiatives provides for certainty, accountability and consistency and also provides a balance between economic development, growth and sustainability.

The committee would be well aware that Rescode was introduced in 2001, protecting neighbourhood character and residential amenity and again giving some certainty to both residents and developers. We have been doing a lot of work on enhancing the planning scheme. With a building boom comes great pressure on a planning process and planners. Enhancements to the planning system include Victoria being the first state in Australia to offer comprehensive statewide coverage of statutory planning schemes available on the Internet. If we flick to the next slide we can give a quick example of what that might look like.

Several councils have been funded to trial pre-certification of planning applications. This has been particularly successful in Glen Eira — very, very successful. It showed that no applications were returned for further information using this pre-certification trial. Usually 98 per cent of permit applications go back for more information or more detail.

The state government has provided \$90 000 to fund a pilot program by the Royal Australian Institute of Architects to provide councils with expert panels of architects to help with design aspects of housing applications, particularly under Rescode. We have commissioned a study into the training needs and desired competency levels of local

government planners. Indeed all stakeholders groups have now agreed to implement the major recommendations of this study.

The summer school conducted in February for young planners under the Planet scheme has been very successful. The sorts of topics they discuss under Planet in their summer school are Victorian Civil and Administrative Tribunal processes and understanding local policies.

Achievements in the past 12 months include the fact that more than 4000 people attended training sessions under the new Rescode, with a further 3000 attending one of the 36 information sessions. I think the committee would be pleased to hear that the government, in cooperation with the New South Wales government, negotiated a 10-point plan with insurers to maintain consumer protection in the building industry and provide greater certainty for both insurers and builders.

You could argue these building figures are almost unsustainable at continuing record levels, but what this government is trying to do is set the framework so that at least they are solid improvements in building approvals rather than expecting that we will have record approvals continuing forever. We want to consolidate the industry, and certainly moving quickly on the building warranty insurance was an important platform for that.

We have appointed a development facilitator, and that was very successful. This demonstrates the government's commitment to working with the development industry. The development facilitator is working with councils, industry, and government agencies — cutting through the red tape, if you like — to streamline the development process, help solve problems, and remove inevitable roadblocks that are thrown up. He has been immensely successful and has been welcomed by the industry. Practice notes have been issued on such diverse and eclectic matters as biodiversity, using Rescode, understanding neighbourhood character, and rural issues.

Another achievement is the Camp Street project. This is the largest of its type in regional Victoria. It is a lovely symmetry between arts, planning and education, and the police have been involved. It is also an example of cross-government cooperation, which was begun under the Kennett government. We have certainly embraced it and expanded it. The Bracks government has invested around \$18 million in the Camp Street project, and it will be a template for the revitalisation of old government buildings into artistic educational and cultural enterprises.

Wind energy facility guidelines to provide consistency and certainty in decision making are being considered by the government. A review of rural planning zones has commenced in response to a lot of issues raised by farmers and others about what uses should be allowed in rural zones.

The next item is the challenges ahead, particularly for Melbourne. I am sure committee members will have seen the reports last night and today of the census outcomes. Victoria is enjoying a population growth — a net migration increase. It is estimated that more than 600 000 new households will be created in Melbourne over the next 30 years. We are seeing a net migration increase of almost 8000. We are looking at these extra households, which is the equivalent of adding another Adelaide to Melbourne over the next 30 years, and there is certainly a belief that business as usual, continuing the urban sprawl with its pressure on services and the environment, is unsustainable.

We believe sensitive environmental areas need protecting. We also need to ensure that in expanding Melbourne, residents who live on the fringes of Melbourne have an equitable access to the best we can offer in public transport, schools, hospitals, shops and other services. Is that possible? That is the challenge we have set ourselves: is it possible? The state government's metropolitan strategy answers that in the affirmative.

The metro strategy is an integrated land-use and transport policy. It is a 30-year plan to manage urban growth. It addresses the impacts of Melbourne's development on the wider region, and it focuses on guiding the way we use our land and make infrastructure investment decisions, both public and private. We believe it will improve the economic, social and environmental outcomes for our city, particularly for our people and visitors, and we hope it will protect Melbourne's branding as one of the world's most livable cities.

The strategy certainly focuses urban development on transport routes and hubs. We have a policy of 20 per cent public transport by 2020, about which my colleague the Minister for Transport will speak. I am responsible for Transit Cities, to which I will refer in a second.

We recognise that we need a continuing supply of affordable housing, so therefore careful land use and land zoning will be critical to provide continued greenfield development sites, but we also need to protect our environmental assets, including water catchments, wetlands, native vegetation and parks and gardens, which we are blessed to

have scattered through our city. We will preserve irreplaceable landscapes such as the Dandenongs, Yarra Valley and the Mornington Peninsula among others.

Rural and regional planning frameworks are an important part of the work we are doing. We have a program to address the diverse planning and infrastructure needs of rural and regional Victoria. We are preparing a series of regional strategies and action plans, and a couple are mentioned: the Great Ocean Road region strategy; the Ballarat action plan; and the Bendigo action plan. The latter two complement the fast rail, country rail and the rail standardisation projects which will help to make the most of the development opportunities which will come their way along these new transport corridors, and will try to focus councils and communities on integrating transport and land-use planning.

The 2002–03 budget allocates to the Transit Cities program, \$10.5 million; the Yarra plan, \$4 million; the Pride of Place program, \$8 million; and public heritage, \$4 million. The \$10.5 million to the Transit Cities program will build on the \$2 million allocated in the 2001–02 budget. The aim of the Transit Cities program is very specific. It is to encourage the higher-density, mixed-use development around our existing transport hubs. It is closely aligned with and absolutely central to the essence of the metro strategy, and of course it is part of our safer, more accessible communities with better access to jobs, services and civic resources.

The five transit city sites have been identified as Dandenong, Frankston, Ringwood, Sydenham and Footscray. Dandenong includes, as the committee will probably recall, a site to be developed across the road from the major transport interchange by the Urban and Regional Land Corporation. Residents in new mixed medium-density and high-density housing will have bus, train and taxi services right on their doorstep. In this budget we will be able to establish the Dandenong Development Board and undertake some capital works at Dandenong to get this moving along.

The Yarra plan is to revitalise the banks of the Yarra — I spoke of it a little in discussions around the arts portfolio — along the central business district, particularly to complement and be ready for the 2006 Commonwealth Games. The Commonwealth Games will bring millions of visitors to Melbourne and both the arts and sporting precinct, from the Melbourne Cricket Ground right down to Docklands, will be a feature and focus for many visitors moving around on foot. The Yarra plan also aims to coordinate the \$4 billion worth of public and private investment in this area and give some focus and integration to that investment. The 2002–03 budget has committed \$7 million for a pedestrian arts and cycle link across the Sandridge rail bridge and the creation of a public plaza at Queensbridge Square — both projects are in partnership with the City of Melbourne and the developer Australand.

What are the challenges for 2002–03? There are plenty, such as implementing the metropolitan strategy; working closely with councils and other key stakeholders; working with councils to improve the efficiency of the planning system. There is no doubt that councils and their planners are under some pressure with the boom in building at the moment. Those building approval figures are terrific for jobs and opportunities. They of course put some pressure on the planning system. There are plenty of challenges. I am happy to take questions.

The CHAIRMAN — I commence by raising one of those often vexed areas of planning — that is, the issue of ministerial interventions or call-ins in the planning system where, as we all know, depending on the particular project, you get people seeking to have a matter called in or complaining that one has been, or various other combinations of that. Can you give the committee some detail of what the current situation is in relation to ministerial interventions in terms of numbers and practice?

Ms DELAHUNTY — Yes, it is always of interest in the planning portfolio. Under the Planning and Environment Act, the Victorian Civil and Administrative Tribunal Act and the Heritage Act there are provisions for the intervention of the Minister for Planning in planning and heritage processes. The question always is: how much, when and why. To try to clarify that a little, in December 1999 the previous Minister for Planning issued guidelines in the form of a practice note to clarify the scope and limits of ministerial intervention in planning matters and to guarantee that any use of such powers was open and accountable. In the past 12 months the Minister for Planning has approved 77 amendments to planning schemes, called in 2 matters from the Victorian Civil and Administrative Tribunal (VCAT) and determined 7 permit applications which were referred to the minister for decision. In each case, and clearly in accordance with that practice note of 1999, a written reason for each decision was prepared, including an explanation of how the circumstances of the matter responded to that particular practice note on ministerial powers of intervention.

Those figures of 77 matters, 2 call-ins and 7 permit applications in the past 12 months are in very stark contrast to the previous government where the minister intervened in 211 cases in the last year of that government without any public explanation. We will continue to follow these guidelines. Clearly under the act there is provision for ministers to intervene and there are times when the Minister for Planning should intervene in the public interest. When that occurs, we will be providing a written response of the reason so there is open and transparent explanation.

Mr CLARK — Last year's budget papers, page 106 of budget paper 3, said the metropolitan strategy draft was to be released towards the end of 2001; that was certainly consistent with what members of the public were told when they took part in consultation. We are now looking at September this year as the latest estimate. Can you tell us the reason for the delay? Is it true that the reference group on the metropolitan strategy has not met since February this year? When the draft statement does come out what will be the process from there in terms of comment period and comment process?

Ms DELAHUNTY — That is an important part of the work we are doing. You are quite right — this has been a protracted birth but it will be a beautiful baby. We are talking about a planning and land-use plan which will guide Melbourne for the next 30 years. The government is of the view, and I am certainly of the view, that we should get it right before it goes out to the public to be used by councils, individuals and the development industry.

I think the reason for the protracted nature of it — which is a virtue — has been the amount of consultation that has taken place. The amount of consultation is exemplary; I pay tribute to the previous minister who drove that and certainly to the department. Two rounds of public consultation have taken place; that takes a lot of time. We have had 17 public forums attended by more than 1000 people in locations as diverse as Williamstown, Narre Warren, two at Box Hill, Coburg, Ivanhoe, Moorabbin, the Melbourne central business district, Hoppers Crossing, Mornington, Sunshine, Sherbrooke, Geelong, Bendigo, Shepparton, Ballarat and Traralgon. We had a mayor-chief executive officer forum in December: 105 mayors, chief executive officers, councillors and senior officers attended.

Interest group workshops have been extensive. The following groups have been involved in those workshops: Council of the Aged, social and welfare planners, economic and development officers, residential developers, cultural and development officers, young planners, old planners — I made that up, it is just young planners — youth development officers, planning consultants, urban designers, urban researchers, housing officers and heritage officers. There have also been workshops and interviews conducted with a range of opinion leaders such as Tim Colebatch, the economics writer for the *Age*, Malcolm Fraser, Professor Adrienne Clark, John North, and Peter Dawkins from the Melbourne Institute of Applied Economic and Social Research. We have sifted through and analysed 310 public submissions received on the Challenge Melbourne discussion paper we put out: 35 of those were from the councils around Victoria and 37 from public and private organisations. That was just round 1. For round 2 I could repeat some of those but I will not.

Mr CLARK — No need, but most if not all of that took place last year and at the public consultation people were told, 'Thanks for your input, we will be giving you a draft by December'. That does not go to explain the delay between December last year and now.

Ms DELAHUNTY — We also had 19 conversations with women's groups, which is important for the women's affairs portfolio. I think what it does show is a greater interest than we might have predicted in what will be the metropolitan strategy, and also a diverse range of views about what the solution is. All that has been sifted through. Technical papers have been written; we are about to publish the last of 10 technical papers which sprang from both Challenge Melbourne and the various discussions. The more consultation you have, the more work there is to distil the ideas and information that come from that. In addition, there has been a lot of international input — our connections with the Organisation for Economic Cooperation and Development (OECD) countries, and design and urban planning input from international sources is something the department has reached out to ensure we have the latest in new information.

I was not being flippant about getting it right; it is absolutely essential. This is a 30-year plan. We are facing more than 600 000 new households — that is another Adelaide added to Melbourne. If you add the increase to some of the regional centres which will flow from this metropolitan development, you are looking at up to $\frac{3}{4}$ of a million new households in the next 30 years. What is more important than just the numbers, although they are a challenge in themselves, is the critical element that was reinforced by the census data published yesterday — that is, most of these new homes will be for single or dual occupancy. The social revolution that is going on caused by an ageing population and a dramatically declining birth rate has meant that increasingly there is a demand for diverse types of

housing that will provide the sorts of facilities that everybody expects — two or three bathrooms, et cetera — but perhaps for one or two-person households.

It is not just about deciding where to put these extra households; it is about deciding what sort of diverse housing will be provided and where. Much of the focus is around transport modes — that is our Transit Cities program — and at the other end of the spectrum looking at the urban fringe and trying to limit the pressure on the lack of services that can occur outside. To answer your question specifically, peer group reviewers are looking at the document now. We are talking to the key stakeholders about the document.

It is progressing through the processes of government to inform councils in detail — who in many cases will be the ones who have to deliver on this — and forums are being set up. The way forward is quite clear. I think we will find that is a process that builds on a good consultative start.

The CHAIRMAN — I want to follow up something on that quickly. Before I do, can I advise that members of the gallery should not be approaching committee members during the conduct of these hearings.

Minister, the last time a similar strategy to this was done on something like a 30-year future of Melbourne I think was in the 1970s, probably under the Hamer government, from my memory, and this led to a lot of the current way in which Melbourne has developed. But on this issue of the release of the draft, I recall at the time of the release of the draft, which had as one of its major features green belts across Melbourne, that it led to a fair amount of land speculation between the draft and the final product. I was wondering whether that sort of consideration is perhaps also involved in the timing of the release of drafts?

Ms DELAHUNTY — I think that is right. As the committee would be aware, I think the original intention some time ago was for a release of a draft metropolitan strategy. I think the work that has been done by the department, by the stakeholders, and certainly the expectations from councils and key developers, is that when the metropolitan strategy comes out, it shows government leadership in this area. It is certainly our view that when the metropolitan strategy comes out in the third quarter of this year, it will be a statement of a strategy. It will certainly show government leadership around how you deal with up to an extra million new households — where do you put them and how do you provide the services: the schools, the aged care services, the transport — to provide equitable access to all of those, and that you do not continue to diminish the sensitive environmental areas around our city. It will be a metropolitan strategy statement.

There will be a series of implementation tools that will come with the metropolitan strategy. Consultation will obviously continue to occur with councils in particular around the details of those implementation tools, be they legislation or regulation or changes to planning provisions. But that is clearly our view, that it will be a metropolitan strategy, a statement of intent by the government about how we will manage the population growth over the next 30 years and how we will be directing, if you like, in cooperation with the key stakeholders, both public and private investment in infrastructure to support that extra population.

Mr DAVIS — Just as a follow-up, can I get a clarification there? The thing that will come out in the third quarter this year will be the final metropolitan strategy or just a further draft?

Ms DELAHUNTY — It will not be a draft, no. As I think I have tried to explain, there was an expectation that it would be the draft metropolitan strategy. It has gone through a series of drafts. I think the consultation process has been exceptionally satisfactory, and of course has taken some substantial time.

Mr DAVIS — So it will be the final document?

Ms DELAHUNTY — It will be the final document, but be aware of what I am saying will be in the final document. The document has two parts. One is a statement of intent of how we expect to manage the extra population growth. The second is the implementation tools to achieve that. There is a suite of tools. They can range from legislation right through to ministerial direction, changes to the planning provisions, regulations, et cetera.

Mr DAVIS — So further development will flow on with those tools? Am I understanding that correctly?

Ms DELAHUNTY — Further development, not of the metro strategy. The strategy will be the statement that will be published this year. That will be, if you like, a definitive statement. So if you are talking about development, I do not know that that is probably the most accurate description.

Mr DAVIS — Of other instruments underneath it; is that what you are saying?

Ms DELAHUNTY — To implement a strategy like this you need a suite of instruments. Those instruments will be outlined in the document, and the implementation using those instruments will be, of course, the subject of ongoing discussion with, for example, councils.

Mr CLARK — Don't you regard this as a breach of faith with those who were involved with the consultation process last year? They have had only the most nebulous, conceptual input, and they were told that you would be coming back to them with a third round where you would give them the detail and a chance to have input. In effect, you are saying you are developing this in-house and it is going to be presented to the public as a fait accompli. Do you think that is a proper approach?

Ms DELAHUNTY — There are two things. It is always a judgment, I suppose, isn't it, Robert, that if the consultation has been as strong as it has been — and I take issue with your assertion that there have been nebulous discussions — —

Mr CLARK — With the public there has, yes.

Ms DELAHUNTY — I do not know whether you would say 'nebulous'; I can run through some of these issues. I think you would have to say this is one of the most outstanding consultations that has ever occurred in this state, certainly in the last nine years.

Mr CLARK — I was there myself at the two fora at Box Hill, so I know what they consisted of.

Ms DELAHUNTY — There have been in addition to all of those public forums detailed discussions with the reference group, with the peer reviewers, with stakeholders, with councils, with peak bodies, because clearly the aspirations that were reflected in those public forums have to be translated into realistic policy and realistic planning tools. That is where the work has been. The reaction that we are getting — and I do not want to prejudge that too much — from the key stakeholders and peak bodies is extremely positive. But we are at the pointy end of the pineapple now, and with a 30-year plan you have to try and get it pretty right.

Mr DAVIS — The rough end, I think!

Ms DELAHUNTY — You have to get it right. I do not think there is any loss of faith. I think clearly what the community wants to see is leadership on this issue. That is where we believe the government can show its leadership, through the metropolitan strategy.

The other alternative is you could put it out as a draft strategy and start the public consultation all over again. The public would then perhaps complain, 'What is the government's view on how they are going to manage this extra up to $\frac{3}{4}$ of a million households in the broader region?'. I think the public really wants to see the sort of leadership that is implicit in intellectually rigorous work done by the department and key stakeholders, and some of the innovations that we will see in the metropolitan strategy.

But you are probably right in the sense that we have started a conversation that we have a responsibility to continue. Part of that conversation is about 'business as usual is not sustainable'. We cannot continue to have a sort of urban sprawl where we are struggling to keep up with services. There is a belief that the incursions into sensitive environmental areas are unsustainable; there is a belief that particularly an ageing population wants to have well-designed, innovative, medium and high density housing close to transport and services. It does not matter whether you live in Stonnington or in Darebin, the demographers and the population experts are telling us that people want to age in place, that the notion of selling the family home with the big backyard and moving to a smaller apartment somewhere in the Docklands maybe or Southbank is not always the solution; that increasingly people want to stay in their own municipalities, so they want diverse housing. We have to begin that conversation with the public about, 'Let's look at what we mean by good quality, well-designed, innovative, medium-density housing', and to break down this notion that medium density housing means large, ugly, badly designed boxes that are plonked in your backyard. We have a bit more work to do on that, you are probably right.

Mr HOLDING — During the presentation you were able to provide the committee with some pretty impressive statistical data about building approvals in Victoria in 2001, which are running at about \$12.1 billion. Can you provide the committee with an update on building activity in Victoria for 2001–02 and also provide the committee with some information about how Victoria's performance compares with the rest of Australia?

Ms DELAHUNTY — Yes. I think everyone is saying, 'This can't go on', but those in the industry have been saying this about building approvals for months. We have just had — what is it now? — the 9th or 10th

month of record building approvals, and while we welcome records and we know that this is terrific for Victoria and it puts us well in front of the pack, we certainly want to ensure that the building industry is sustainable at high levels and we are not necessarily expecting record levels month after month, but that is exactly what we are seeing.

The last figures show, as you said, Victorian building approvals of \$12.1 billion, which is an absolute record. This compares very favourably with our near neighbour, and certainly the state we have been trailing in the past decade, and trailing badly — that is, New South Wales. Building approvals in New South Wales for that period were \$11.7 billion compared to our \$12.1 billion; and in Queensland, which we all thought was enjoying something of an economic renaissance, they were \$6.5 billion. They are pretty stark figures and they put Victoria well ahead of the pack.

The increase is very good not just for the figures, which make us all feel terrific, but also for jobs. The increase in building approvals means a lot of jobs for a lot of small business people, and it means jobs for young kids getting out into apprenticeships and onto building sites. The figure represents a 16 per cent increase for Victoria which is being shared right across the state, and that is what is particularly pleasing.

The Building Commission figures show that building activity in regional Victoria in the past two years has jumped 16 per cent. What that increase means in terms of jobs, based on Australian Bureau of Statistics estimates, is that every \$1 million worth of work approved equates to the creation of around 13 full-time jobs, so when that is spread right across regional Victoria it means a lot of jobs for regional Victoria.

Recently I was up in Wodonga where we announced a metamorphosis, if you like, of the civic heart of Wodonga. Finally, after lobbying of successive governments by the locals, the Bracks government will remove the scarring of the railway line that goes right through the centre of town; it will create a new civic centre with retail outlets, entertainment and housing right in the heart of Wodonga; and it will create a lot of jobs and a lot of opportunities for businesses and for young people to stay in their communities.

In Swan Hill we recently announced a big new development, where almost an entire neighbourhood will be built. I think you will see that that sort of building approvals boom, if we can call it that, is spreading right across the state. Bendigo, Ballarat and, in particular, the smaller communities are enjoying that boom.

The figures show that expenditure on building in hospitals and health care in regional Victoria in 2000-01 has increased by 39.5 per cent since the figure of \$126.8 million in 1998-99. We are seeing that the investment the government is making in schools, hospitals and police stations is adding to the regional strength of the building approval figures, and that is good news for regional Victorians because it is providing jobs for them and it is also providing them with good hospitals and schools. That expenditure has been matched by private investment: domestic construction activity is up 18.4 per cent over the past couple of years.

The area with the highest rate of growth, according to the Building Commission figures, is Gippsland. When we came into government a view was held that Gippsland was really struggling and that the previous government's policies — particularly those around electricity privatisation — had left a pretty sad social legacy in Gippsland. This government has directed a lot of resources and a lot of ideas to try to work with the Gippsland community to revive its economic opportunities, and it is very pleasing to see that Gippsland is experiencing the highest rate of growth of the regions. Its building approvals are up 24 per cent since the Bracks government was elected, and that is good news for Gippsland, as an example.

Mr DAVIS — Minister, I want to return to the discussion on the metropolitan strategy and ask you about one aspect of that conversation. You mentioned green wedges, and so forth. Can you indicate to us whether the metropolitan strategy will recommend the preservation of Melbourne's green wedges? If it will not, which ones will it recommend some other policy for; and if it will, can you give us a definition of a green wedge or perhaps define how you see a green wedge?

Ms DELAHUNTY — Although, of course, I want to be very helpful I do not propose to announce here what is in the metropolitan strategy. There will obviously be a series of announcements made by the Premier, in particular, since this is a high priority for government and a whole-of-government policy, so I do not propose to announce it here, and I am sure you would understand that. However, I did mention our sensitive environmental areas and the fact that there is a view held that unmanaged and unplanned urban sprawl, as it is known, does place pressures on the green wedges, and protection of the green wedges is certainly an important part of the work of the metro strategy.

Mr DAVIS — Do you have a definition of a green wedge? I am very interested to know how you see a green wedge, as it is something of pretty broad significance. You may not be able to give us the precise detail, but can you give us some broad view as to how you see a green wedge?

Ms DELAHUNTY — The colloquial definition of a green wedge is the open space in the midst of urban development which we believe contributes to our standard of life, and it also contributes to health. Green wedges have been described in one of our leading daily newspapers as being the lungs of the city, which is not a bad description. The green wedge policy was begun by a previous government and it was designed to create, as the name implies, green open space between development centres. We are certainly committed to the retention and protection of Melbourne's green wedges, and the metropolitan strategy will address the government's commitment through looking at having greater control over where the metropolitan urban development is allowed, again looking at the urban fringes and where appropriate development should take place.

I mentioned some of the implementation tools that we will be applying to the metro strategy, and one of a range of options is legislative provision to protect some of the more sensitive conservation areas that I mentioned at the beginning of my presentation; obviously the Yarra Ranges is one and the Mornington Peninsula is another.

We would also be looking at working very closely with local government around its management plans for the green wedges, as well as specific land management or any other issues associated with the environment and the way we use the interface between the green wedge and whatever development abuts it.

Certainly, as I said, we will be working extremely closely with councils to ensure they are in agreement with the protection of the green wedges. As you know, councils vary across the state in both their interest and ability to protect green wedges, depending on where they are and what their resident composition is. It is an important part of the work we are doing, and I think you will be quite pleased with the suggestions and the leadership that come out of the metro strategy on the green wedges.

Mr DAVIS — I have a follow-up on the metro strategy generally. You also talked about the consolidation or density of housing. I note that Professor Neilson has made some comment suggesting that upwards of 60 per cent to 70 per cent of development demand would take the form of renewal and medium-density housing. In the context of the metropolitan strategy, is that the sort of figure you would see? Do you agree with Professor Neilson on that sort of figure?

Ms DELAHUNTY — Can you repeat the quote, please?

Mr DAVIS — He said:

Over the long run that will continue to decrease. Within the existing built-up area you are looking at upwards of 60 to 70 per cent of development demand taking the form of urban renewal.

Ms DELAHUNTY — I would never disagree with the Secretary of the Department of Infrastructure, particularly someone as erudite and experienced as Professor Neilson. That would not be a wise career move, would it, I do not think? He is clearly quite right, and I think I alluded to that earlier. The metro strategy work is not just about numbers of households or numbers of people; it is about the composition of households and where people want to live and how they want to live. We are seeing a social revolution in how and where we want to live. Over the last five years — perhaps longer — we have seen a huge interest in inner city living, and certainly a tremendous interest in urban renewal in the municipalities on the fringe of the CBD, if you like — cities such as Yarra, Darebin et cetera. There is a great demand for a diversity of housing close to where people work, close to transport and close to services.

So the notion of urban renewal is very, very important in the work the department is doing right across the portfolios, not just in the area of planning. It raises the question: how do you provide this diverse housing where people want to live, whether it is in the inner city or whether it still is — and of course it will always be for affordable housing — on the fringes of metro Melbourne? But we cannot just put our head in the sand and pretend that we will all live in houses with picket fences because, as you know, it is changing dramatically now and will continue to change, and 60 per cent sounds like a reasonable figure to me.

The CHAIRMAN — I would assume some of Professor Neilson's background to that is probably related to the change in demographics over the next 30 years and also a trend toward better and more efficient use of infrastructure rather than continuing to go out and have to provide new infrastructure at much greater cost?

Ms DELAHUNTY — I think that is right. It shows that although there is a huge increase in the demand for housing for single-person occupancy or dual-person occupancy, that does not imply that those singles or doubles want to live in small housing. There is still a view that increasingly we want two or three bathrooms and we perhaps want a room for an office at home, as people increasingly work from home. So it is not about the facilities within the home; it is about the location and the access to services. It will be more and more of a pressure with our ageing population. The census figures were pretty stark as you read them this morning. There are an increasing number of women living by themselves, an increasing number of single parents, and an increasing number of both men and women living alone. That has huge social ramifications — shrinking families — and yet, quite correctly, there is an expectation that government at all levels — federal, state and local — will provide the best facilities within cooee of where you live. So if you choose, as a family or as an individual, to build a new house on an estate on the fringes of Melbourne, you expect to have access to a good school, you expect to have access to the best health facilities, and increasingly you expect to have easy access to the best transport.

So in response to that sort of irrefutable demographic evidence, we have to make policy changes. Thus, one example is the Transit Cities program, where we choose, as we have done, locations around Melbourne which in our view offer prime potential for the development of mixed use and medium and high-density housing close to the transport nodes. I have spoken about Dandenong as a case in point. There is huge potential there. The old Dandenong saleyards is a large block of land; it is very close to the train, the bus and taxis and it is obviously providing access both to the city and out.

The CHAIRMAN — Minister, I take you to page 113 of budget paper 3, which refers to the balanced planning and environmental system outputs, and to the opening comments:

These outputs involve the provision of a world-class planning system that supports development across the state in accordance with triple bottom line principles, and which is fair, transparent, accountable, cost effective and provides certainty to users.

In relation to that commendable objective within the planning system, what action is the government taking to improve the operation of the planning system in Victoria?

Ms DELAHUNTY — Thank you, Mr Chairman. This is an important issue that we have been focusing on for a while, but now particularly around the work on the metro strategy. It is also work that is brought into sharp relief with these terrific building figures. As I said, I think at the outset, when a building boom is happening — wherever it is happening, right across regional Victoria and across the CBD and metro Melbourne — more and more permit applications for building, both new houses and renovations, pour into our councils.

We have made quite a few changes and, we hope, offered quite an amount of support to councils. Under the continuous improvement program we have a joint initiative with the Department of Infrastructure and the Municipal Association of Victoria to provide three very significant projects to improve, we believe, the performance of the planning system. The first one, which has particularly taken my fancy, is something I referred to in the presentation — that is, the trial we did at Glen Eira and also at the City of Greater Bendigo, so at a metro council and a regional council. It was a pre-application certification pilot which tested whether pre-certification of planning permit applications improved the time to make decisions about applications and contributed to much better outcomes and better results and was cost effective. That was the aim of it. It is fantastically encouraging. As the City of Glen Eira indicated, there have been significant time savings — a 60 per cent reduction in the time it takes to get a planning permit through.

The outcomes are worth reading. I refer to requests for further information. Before this trial Glen Eira reported that normally 98 per cent of planning permit applications required further information of some sort and therefore had to go back to the applicant. In this trial there were never requests for further information. The number of statutory days for decision at Glen Eira was normally 90 days. Under the pre-certification trial that was reduced to 39 days, so again there is a massive decrease. The percentage of permit applications approved rose to 92 per cent during this trial; normally 73 per cent are approved. In addition — this is important for the general flow-on through the planning system — there were no objector appeals to VCAT from the applications included in the pilot project.

When I saw this I thought, ‘This is extraordinarily strong. Let’s expand this from a trial into active support for councils’, which is what we are doing. Through the Department of Infrastructure and the Municipal Association of Victoria we are encouraging councils with what I think we are calling a pre-certification kit to use this technique. It clearly makes a big difference.

Secondly, we have a reference group on what we call decision-making processes, which is a good umbrella term, for reviewing some of the issues consistently raised by the main stakeholders — that is, using and interpreting local

policy, which varies from council to council; the question, particularly in VCAT, of substitution and amendments of plans as the application process goes on; and enforcement methods. I think this is known at the Whitney committee. It includes representatives from the Municipal Association of Victoria, the Royal Australian Planning Institute, VCAT, and the Victorian Planning and Environmental Law Association. They will deliver specific recommendations to me at the end of August. We have a reference group doing similar work reviewing the operations of the rural zones.

We have also been running — I alluded to this in the presentation — an ongoing program for the education and training of planners. As I said, planners in councils are under a bit of pressure — that is no news to anybody. There is an increasing volume of applications from increasingly knowledgeable residents and other stakeholders, so a very savvy and sophisticated community is involved in planning applications. It puts a lot of pressure on young planners. Some of our experienced planners are being attracted to the expanding private planning consultancy market, and we clearly feel the need to improve the education and training for young planners. This is known as Planet, which has recently run seminars on local policies and making submission to VCAT, for example, and I am happy to hand to the committee more details on the professional development programs known as Planet for young planners.

Mr CLARK — I refer to warranty insurance. First of all, is it correct that with the failure of the 10-point plan to attract new insurers into the business to date the Victorian government is looking to join the New South Wales government in extending the period for which it provides support for underwriting to keep Dexta in business? If that is correct, for how long is the underwriting being extended and what is the revised estimate of the financial exposure to the state on that?

Secondly, in relation to plumbers insurers you would know that plumbing associations and individual plumbers have been asking you to make an urgent decision on their calls for changes to the scope of plumbers warranty insurance to cover their inability to get public liability insurance. Have you made a decision on that to date? If so, what is it? If not, when do you expect to make a decision on how to handle the difficulties the plumbers are facing?

Ms DELAHUNTY — There are many questions in that. There is certainly a lot of meat. The first was plumbers, and the second was warranty insurance. What was the third part of your warranty insurance question?

Mr CLARK — The builders warranty was about Dexta and whether you are extending underwriting for Dexta, what it will cost and how long you are extending it for.

Ms DELAHUNTY — Starting with the plumbers, we are doing quite a bit of work discussing this with both the insurers and the plumbing industry. Obviously there is a little bit of angst around at the moment about insurance. We are in close negotiations, and I think we will have some sort of outcome in the next day or so. We certainly have a very good prototype based on the work we did with the insurance companies, the building industry and the other states on building warranty insurance, so I am looking forward to a satisfactory resolution on plumbers in the next couple of days.

I think the process on building warranty insurance has been a good one. The 10-point plan, which was negotiated between the Victorian and the New South Wales governments, has provided certainty. Let us be clear on what we faced. The insurers' decision to move from first-resort insurance to last-resort insurance was commercial, based on their assessment of market risk. The government had to look at filling that void in the most effective way. I guess we had the choice of going the Full Monty and setting up as reinsurers ourselves, or going back to the existing pre-existing model, or in some way negotiating with the insurance companies around the product and, most importantly, moving quickly as we did to protect consumers and quality builders.

So that was our objective, and I think we have been pretty successful in achieving that. We have kept insurers in the market. It is fair to say there was a risk in that insurers were looking at pulling out completely of building warranty insurance as part of the wash-up post-11 September, the collapse of HIH and of course Dexta et cetera deciding to pull out. So there was a big risk that they might decide that building warranty insurance was an insurance product that the insurers did not think was worth being in.

Part of the work that we did with New South Wales — again I pay tribute to my colleague John Lenders, the Minister for Finance, who led this on behalf of Victoria — was that we achieved the outcome of keeping insurers in the business. We have adjusted the insurance product, but they are still in the market, and we moved very quickly to set up a dispute and conciliation process to protect consumers and quality builders and to continue to provide that insurance.

It might be worth looking at the dispute resolution process, which I think we have copies of, because it enhances the previous process. This is a better process than we inherited. In the past when home owners or home builders had a building dispute there was a myriad of sometimes confusing pathways about where you went to resolve it. You could go to your insurers or to the peak industry bodies like the Housing Industry Association. Some people even went to the banks; they certainly came to the government — consumer affairs — but not always was it a clear pathway.

To ensure consumers and good builders are protected and supported we have established a one-stop shop for the resolution of disputes. Initially any complaints go directly to Consumer and Business Affairs Victoria. At that point many of the approximately 35 000 building inquiries are resolved; the conciliation process happens effectively there. However, if a dispute cannot be resolved by conciliation it is referred to the Building Commission. The Building Commission provides independent experts to do an on-site assessment; the target for that is within seven days. Then there is a direction for that defect to be fixed.

You can see both the inspection and issue resolution box on the second page of that document. The last box is the enforcement, which still allows the consumer to seek redress through the courts if they wish. As a last resort, if a builder refuses to rectify a defect once directed by the Building Commission or VCAT the final sanction is deregistration, which is a pretty savage sanction. We trust it will not have to be used too often, but it does support the good builders who are doing the right thing — and that, clearly, is the majority. You questioned building warranty and how long it will continue.

Mr CLARK — Support for Dexta.

Ms DELAHUNTY — The answer is we want to make sure the wobbliness in the insurance market is ironed out before any government support is withdrawn. How long it will need to be extended has been considered and we are considering perhaps three months.

Mr HOLDING — On, I think, 9 April last there was a press release issued that announced the establishment of the Victorian Design Advisory Council. Can you provide the committee with information about where the design advisory council is at, whether members have been appointed to it and exactly what its role will be within the policy framework that you outlined to the committee?

Ms DELAHUNTY — If we can put this into context, we have been talking about the notion of changing the conversation on what we mean and how we feel about high-density housing. If we are to provide appropriate housing for the extra up to 1 million people, we need to think in an innovative way. Unfortunately too many think of high rise or high density or medium density as ugly big boxes. Part of the work we need to do is talk about innovation in design and to deliver innovation in design so the built form we leave as a legacy is attractive, enduring and functional.

Part of that work will be driven by the Victorian Design Advisory Council. I announced that in April. We called for nominations from key stakeholders, and I am pleased to say we got an overwhelming number of nominations from such organisations as the universities, private architects and design firms, the Royal Melbourne Institute of Technology obviously, the architects institute, the property council, the planning institute and we have made a selection of names. We are at the moment negotiating with the chair. I can say those groups will be represented by the best and the brightest they could nominate. We asked for nominations of individuals from those organisations who have runs on the board; they are high-fliers in design, innovative architects and urban planners. I am delighted that that was the response we received.

I was also very keen for there to be an international flavour to the design advisory council. We discussed putting on the council some of the outstanding international leaders in urban design and development, but we have come up with a more innovative answer to that.

Rather than putting one person on the council and having to pay for that person to come out to meetings, which may not be the most effective use of taxpayer funds, the template we are following is an invitation to a different international design leader every year to come to Victoria and lead through a forum, a speech, a design it may be, to bring their international experience here. The first international guest of the Victorian Design Advisory Council and of the government will be through an invitation extended to the designers of the Barcelona Olympic Games venues. That will be outstanding if they accept that invitation. That will be symptomatic of where we want to go with the design council.

We do not want just business as usual; we want the council to facilitate leading-edge practice in urban design; we want the council to champion high standards and innovation, and we want that council to push government. We are building a lot of new buildings in and around Melbourne and across regional Victoria. We want to see the best design in government buildings as a way of leading, and we want to encourage some of the superb design we are seeing in the private sector and actively discourage some of the shocking design we are seeing in the public and private sectors. It will be a champion of high standards and innovation. It will facilitate cooperative effort between government and industry, and it will advise the Minister for Planning on specific matters, as required.

A good example would be, had the design council been up and running, its advice on the Sandridge Bridge. That would have been and will be useful as the metamorphosis from the old railway bridge occurs into a stunning pedestrian, cycle and arts base. It will be very valuable.

Mr HOLDING — It is not just residential design?

Mr DELAHUNTY — No, not just residential, but that is the sleeper. Residential needs, in my humble opinion, a fair bit of work. It is some of the big public buildings where design is important — for example, at Federation Square, where design is stunning and it will be part of the attraction to Melbourne. When we are talking medium and high-density housing across the state we need to be innovative.

Recently we were in Ballarat to announce the metamorphosis of the Lydiard Street railway precinct — that beautiful old railway station. That whole area, which is a gateway to the central business district of Ballarat, will be revived in consultation with the council and the community. We hope that will include innovative design in the medium to high-density housing that could occur around the Lydiard Street rail precinct. That is important as we will be setting up new housing next door to a heritage rail building. It has to be simpatico but it also has to provide the modern facilities. Design will be critical to finding a way through some of these challenges. I expect that the Victorian Design Advisory Council will provide some very useful advice to government around that matter.

Mr DAVIS — I turn to the Urban and Regional Land Corporation, which I understand is an area of your responsibility. As I understand it the recruitment of a new chief executive officer is continuing following the resignation of Jim Reeves; I understand advertisements were placed quite recently.

I want to ask you some questions about that. In the first instance, who is on the selection panel, and will there be a finance director and an operations director appointed, as required and recommended by the Department of Treasury and Finance at the time that Jim Reeves was appointed? Could you also elucidate for the committee the salary for that position, and will that be greater or less than the salary provided to Jim Reeves?

Ms DELAHUNTY — Yes, I do share responsibility with the Treasurer for the Urban and Regional Land Corporation (URLC). As regards the process for the appointment of a new chief executive officer (CEO), the government will follow the requirements of the Urban and Regional Land Corporation Act, as will the board of the corporation. We are both obliged to follow the act. That act makes it very clear that the board of the URLC, after consultation with the Minister for Planning and the Treasurer, may appoint a chief executive officer of the corporation.

After seeking advice from the Commissioner for Public Employment the URLC board has agreed to a recruitment process which will ensure that the act is properly implemented. As the committee is probably aware, this recruitment process has included the use of a recruitment agency. It will include a short list of candidates and a panel. That panel from the board is a matter for the board; it decides who is on the panel, so that question would be more correctly addressed to the board to get the names of the panel members.

Mr DAVIS — Could you get that for the committee? You may be able to find out from the board. That would be helpful.

Ms DELAHUNTY — Yes, we could provide that for you.

It has been made very clear on the advice of the Commissioner for Public Employment that steps must be in place to ensure that there is consultation with the Minister for Planning and the Treasurer, and that process is progressing very well. The job has been advertised. I cannot give you the date, but it certainly has been advertised.

Mr DAVIS — Recently?

Ms DELAHUNTY — Yes, quite recently. As to the salary, I cannot tell you that; it was probably part of the advertising for the job, but I am happy to get back to you on the salary.

I am now informed that we do have the information on the names of the individuals who have responsibility on the subcommittee of the board. I do not think they will be any surprise to the committee. They are: Marek Petrovs, the chair of the board, Owen Lennie and Jennifer Westacott. Of course it is a board decision in consultation with both the minister and the Treasurer, so the entire board would be involved in the decision to appoint the new CEO, but I am happy to get back to you on the salary.

Mr DAVIS — And will there be appointment of a finance director and an operations director, as required and recommended by the Department of Treasury and Finance?

Ms DELAHUNTY — Can you just repeat that? Required by Treasury and Finance when, and under what — under the act?

Mr DAVIS — During the period of the Jim Reeves's appointment it is my understanding, and certainly the evidence I saw from the select committee shows, that there was — —

The CHAIRMAN — I just remind Mr Davis to just go carefully there. I am just warning you for your own — —

Mr DAVIS — It is publicly available information. An operations director and a finance director were recommended to be appointed by the Department of Treasury and Finance, and I wonder whether that will be part of the arrangement at the time of the appointment of this new CEO.

Ms DELAHUNTY — I think you are referring to matters which are in the purview of the upper house select committee inquiring into the appointment of the previous CEO.

Mr DAVIS — No, just the future — this appointment now; I am looking to the future specifically.

Ms DELAHUNTY — I think the reference you are making to the Department of Treasury and Finance was a comment it made about — —

Mr DAVIS — It is evidence that was given.

Ms DELAHUNTY — It was about the appointment of the previous CEO. I was not the minister at the time and it is not appropriate for me to discuss what went on then, but I do say that we will be scrupulous. The board, the Minister for Planning and the Treasurer will be scrupulous in following the requirements of the Urban and Regional Land Corporation Act, and in the process of interviewing candidates for the CEO the board will make both decisions and recommendations to the Treasurer and me on the quality of those candidates and their ability to perform the job as CEO of the corporation.

Mr DAVIS — Just to get another point clear here, what is the recruitment cost? Could you explain that to me as well? Is the actual recruitment or search cost available anywhere?

Ms DELAHUNTY — That is a matter for the board. The board is set up under the act. It has the responsibility of conducting the search through a recruitment agency for the new CEO. The costs involved in that search and the interview process are quite properly a matter for the board.

Mr DAVIS — Perhaps you could provide that at some point and come back to the committee with that information.

Ms DELAHUNTY — Yes, we would be happy to do that, I presume when the process is complete, so that — —

Mr DAVIS — There must be some estimates or something on those costs.

Ms DELAHUNTY — That would be a matter for the board, but we will find out for you.

The CHAIRMAN — I take you to an issue in which I have had some interest for a number of years, that is, security of payment and recent government actions in relation to security of payment. Can you take the committee through what has occurred in relation to security of payment and what you anticipate the initiatives will bring about in the industry?

Ms DELAHUNTY — This legislative change was asked of successive governments by the building industry, and this government is very pleased to have been able to deliver that in the last sittings of Parliament. It

brings Victoria into line with other states. Basically it is good business for the building industry and again it is another piece of evidence of this government's support for the building industry and its sustainability.

In essence what it does is protect the subbies. For too many years that those down the pecking order in the building chain have been left out of pocket despite the fact that they might have done work. If there is a problem further up the chain the subbies do not get paid. In many cases it is the subbies who are one-person bands, small business operators, who simply cannot take that sort of out-of-pocket expense. We have seen some shocking examples of brickies, electricians and other subbies who have lost their houses because they have been out of pocket because of problems further up the pecking order.

I am pleased to say that those with the slimmest operating margins will be protected, as will everyone in the building industry, with the passage of the security of payments legislation. It delivers on an election promise to crack down on loopholes allowing the unscrupulous operators to avoid their responsibilities to pay for work that has been done.

The lack of security of payment legislation has not only posed a major threat to the viability of these smaller contractors but it has cost millions of dollars in lost productivity, wages and profits, and of course in delays and anxiety for consumers.

This is landmark legislation which will close the loopholes, and it will bring Victoria into line with other states. Effectively what it does is ban 'paid if' and 'paid when' clauses in contracts. It allows contractors to suspend work in the event of non-payment. It includes in the legislation a statutory requirement to make periodic payments to conform to monthly instalments, and it establishes the periodic payment dispute resolution process.

It is the result of good work by Tony Robinson, the honourable member for Mitcham, who led the security of payments task force with representatives from all the stakeholders from both sides of the fence. Unions, small building contractors and big building contractors, which are often in an adversarial frame of mind, came together to universally support this legislation. It is good legislation and was supported by the opposition. It puts Victoria in a strong position to maintain a solid and sustainable building industry.

The CHAIRMAN — I concur with that. Over the years the loss of time on building projects as a result of security of payment type issues has been immense. One example I mention from my electorate, which you would recall very well from your previous portfolio, is the Grovedale West Primary School which I think was held up by well in excess of 12 months as a result of non-payments by contractors. It can have significant consequences. I look forward to this legislation producing some good results.

Minister, that concludes the time allocated for the hearing today. I thank you and your various departmental officers for your attendance. The session has been very useful for the committee. Some issues raised during the hearing will be followed up with you by the committee later. Some other questions may arise that the committee will forward to you at a later date. Thank you for your attendance.

Committee adjourned.