INQUIRY INTO GROWING THE SUBURBS: INFRASTRUCTURE AND BUSINESS DEVELOPMENT IN OUTER SUBURBAN MELBOURNE

NATIONAL GROWTH AREAS ALLIANCE

DECEMBER 2011
INTRODUCTION

The National Growth Areas Alliance (NGAA) welcomes the opportunity to make a submission to the Inquiry into Growing the Suburbs: Infrastructure and Business Development in Outer Suburban Melbourne. NGAA represents 24 of the fastest growing outer metropolitan growth areas (OMGA’s) on the outskirts of the cities around Australia, currently housing 3.4 million people. (Attachment A provides more information on NGAA areas).

On the one hand these areas demonstrate significant disadvantage and lost productivity resulting from poor services and infrastructure. On the other, they provide immense opportunities to enhance productivity.

NGAA has undertaken considerable research into the issues and opportunities for growth areas. (Attachment B outlines the research).

In summary, the research shows that on a number of indicators there is a gap between outer metropolitan growth areas and average metropolitan rates. It also shows that investment in infrastructure and services designed to reduce that gap pays off in jobs and productivity (Attachment C provides a summary of key points).

TERMS OF REFERENCE

NGAA’s submission and research is particularly relevant to the following Inquiry Terms of Reference:

(b) assess the capacity of existing infrastructure to accommodate increased population growth;

(c) investigate options based on intrastate, interstate and international evidence, which reduce pressures on infrastructure and essential services;

(d) catalogue the skills mix of outer suburban residents to identify those areas with a skills shortage and provide options for skills training and retention, especially as it relates to both younger and semi retired people.

IMPACTS OF PAST POLICY ON OUTER METROPOLITAN GROWTH AREAS

Residents in outer metropolitan growth municipalities display a number of vulnerabilities which mitigate against their health and well being and their resilience. These vulnerabilities reduce the opportunities they have to participate equally in and to contribute to society.

Research undertaken by SGS Economics and Planning for NGAA\(^1\) describes the situation for outer metropolitan growth areas (OMGA’s).

Whilst the growth areas play an integral role in accommodating growth in metropolitan regions across the nation, they are not equitably equipped with public transport and social infrastructure services (e.g. health, education, cultural and community services) or employment opportunities.

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\(^1\) SGS Economics and Planning, *Cost Benefit Analysis of Investment in Growth Areas*, 2009
Indeed NGAA member councils are disadvantaged across a number of indicators when compared to their host metropolitan regions. These include poor performances with respect to:

- The mix and depth of resident skills;
- Local employment opportunities and employment rates;
- Education, health and community services, as well as cultural and recreational services accessibility;
- Housing diversity; and
- Housing stress.

Attachment D provides a summary of these indicators.

Other research findings in relation to OMGA’s and their access to education, jobs and services include high fuel costs and mortgage stress as documented by Dodson and Sipe\(^2\), more vulnerable employment sectors, as discussed by Baum and Mitchell\(^3\) in relation to the Global Financial Crisis and distance to work as shown by SGS Economics and Planning\(^4\) who found that when measuring access to work via a 30 minute drive and a 30 minute public transport ride, growth areas are clearly disadvantaged. The situation is much worse when taking a public transport only perspective.

Evidence indicates that skills issues begin very early. There are 25 suburbs within NGAA areas in Melbourne which have higher proportions than Australia of children who are vulnerable on two or more Australian Early Development Index (AEDI) domains.

A study of Victorian Interface Councils\(^5\) found that:

- **infants at the Interface have a higher incidence of low birth weight, and are less likely to be breast-fed than those in both the metropolitan and rural health regions,**
- **the Interface has significantly higher rates of post-natal depression than both metropolitan Melbourne and rural Victoria,**
- **the Interface has higher rates of child protection notifications, substantiations and care and protection orders than metropolitan Melbourne,**
- **young people living at the Interface are less likely to complete secondary schooling, with knock-on effects in terms of participation in higher education and opportunities in the knowledge economy.**

All these factors contribute to individual and community skills deficits.

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\(^3\) Baum, S and Mitchell, W, Centre for Full Employment and Equity, University of Newcastle and Urban Research Program Griffith University, *Red Alert Suburbs: AN Employment Vulnerability Index for Australia*, March 2009


\(^5\) RMIT Centre for Applied Social Research, Human Services Gaps at the Interface between Urban and Rural, 2003
OMGA’s have two types of challenges; one is in older established suburbs with multiple indicators of disadvantage and longstanding deficits in infrastructure and services. The other is in the newer estates where infrastructure and services are sparse and where in some cases there is identifiable emerging disadvantage. They will be even further behind when future growth arrives. This infrastructure is not only local level but is also the higher order infrastructure which is the province of the States and Commonwealth Governments. No level of Government is keeping up with the growth. This can be seen in the congested roads, the poorer access to jobs and to services and the resultant outcomes indicated above. The capacity to service further growth is therefore of great concern.

PRINCIPLES FOR ADDRESSING INFRASTRUCTURE AND SKILLS SHORTAGES IN OMGA’S

The following principles, which NGAA considers important in relation to the Committee’s Terms of Reference were also included in NGAA’s submission to the Committee’s Inquiry into Liveability Options in Outer Suburban Melbourne.

*We can ill afford to squander the unrealized opportunities that lie within the outer metropolitan growth areas. What if we looked the other way?*

Reduced pressure on infrastructure such as roads and public transport would occur if there was a more equitable distribution of jobs and services within OMGA’s.

Picture education, employment and service hubs around transport nodes that support local and regional population catchments where people don’t have to drive to work and where cars all going one way to the city are turned around.

OMGA’s should attract investment in infrastructure and services to provide for growth and support their role as key nodes within a polycentric pattern of settlement.

New communities should be self contained and planned to be resistant to the effects of climate change, peak oil and food insecurity.

NGAA believes that maximizing what can be achieved within all types of areas, whether brownfields or greenfields, is important. To succeed, investment in design, infrastructure and services is required.

*Clarifying expected infrastructure standards and responsibilities for funding and implementation is one of the most important things we can do.*

Infrastructure and service standards along with financing and service provision models are lacking and need to be agreed.

*We need to understand the costs of not investing as well as all the costs and benefits of investment.*

It is important to consider both the cost benefit of investing in infrastructure (over the long term) and the costs of not adequately servicing growth areas. Research shows that the benefit of investment in growth areas outweighs the cost, generates jobs and contributes permanently to national GDP\(^6\). Any analysis of costs and benefits should be focused on possible outcomes, not just on past practice.

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We are losing opportunities from major projects.

Major projects provide significant opportunities to leverage vastly improved sustainability outcomes if only they would be recognised and supported. Government could be using its leverage to require, for example, much better design, environmental features, employment and public realm outcomes. More investment in planning, costing, design and identification of value add components of such projects would help to maximize their effective and efficient delivery.

Regional level infrastructure needs a particular focus.

Infrastructure with catchments beyond municipal boundaries receives insufficient strategic planning and investment focus, often falling between jurisdictional responsibilities. This includes transport and higher order health provision such as hospitals and services, education, recreation and community services infrastructure. State Departments should be required to plan and propose budget expenditure for such items.

Access to education and training and to a diversity of secure jobs is life changing.

Large numbers of young people reside in OMGA’s, where education and employment outcomes are relatively poor. Along with their families, they should receive particular attention, to support improved attendance and retention levels from pre-school through to post secondary education and training.

There needs to be a framework for thinking about what the new industries of the 21st Century will be so we are truly planning for the future and not for more of the same. And there needs to be a strategy to provide employment in OMGA’s. This employment, as well as accompanying education and training, should be based on an area’s identified strengths.

We need to do better in supporting families in the outer suburbs

Services which support families are sparse in the OMGA’s and outcomes on a range of indicators demonstrate the negative impact this has. This situation is partly because recurrent funding has not kept pace with population growth and partly because the office buildings to house services are not there. Yet there are some excellent models being developed that could be built on and extended. NGAA is able to provide advice on such models. Providing more support services in outer suburban areas will also provide more jobs in a sector which is underdone compared to metropolitan averages.
WHAT ACTIONS ARE NEEDED?

A requirement for all State Departments to plan and to propose Budget expenditure for the infrastructure required to meet growth is crucial. This should be based on the development of agreed standards of infrastructure and service provision.

NGAA agrees with the statements in the Commonwealth Government’s *Demographic Change and Liveability paper, A Sustainable Population for Australia Issues Paper.*

*Education and supporting communities to access it is an important link to being able to access a range of jobs, as well as being linked to income equality and health outcomes. Provision of schools and post secondary education and training facilities and programs are key components of improving outcomes.*

*Redressing employment imbalances, such as in outer metropolitan growth areas (where manufacturing, construction and retail jobs are strongly represented and where community services jobs are under represented), will require a multi pronged approach. Facilitators include increasing housing diversity, early provision of trunk infrastructure, transport and communications networks, and major attractors such as government offices, health facilities and universities.*

The following elements have been identified as being the common features of successful employment centres in outer metropolitan growth areas:

- Public transport infrastructure
- Coordinated infrastructure commitment & planning
- Planning vision and cooperative governance & mechanisms
- Government facilities
- Superior ICT infrastructure
- Marketing/ investment recruitment campaigns

In terms of addressing skills and training needs of OMGA’s, the following are important:

- Support services to assist young people to stay in school
- More tertiary education opportunities in growth areas
- Access to post secondary skills and training
- Individual and family support
- Employer training and support programs
- Workplace support for employees who require it
- Programs to assist people to make the transition from school to work or from one job sector to another
- Support for business and training clusters
- Improved public transport to access education and training.

Critical for successful and sustainable results is tailoring programs to the needs of each locality, engagement with the Local Government, education and training sector, community, agencies and businesses there and reaching local agreement about appropriate measures.

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7 S 3.10.4 Demographic Change and Liveability Panel Report, An Appendix to A Sustainable Population for Australia Issues Paper, December 2010
8 Gleaned from various case studies as being the common features of successful employment centres in growth areas (Andrew McDougall, SGS Economics and Planning).
Despite zoning land for employment purposes, some municipalities in OMGAs’s have difficulty attracting employers. Given the importance of a diverse range of employment in these areas to social, environmental and productivity outcomes nationally, where the market is not responding, Government intervention is required. This may take the form of leading the market by having a presence itself eg Government offices, assembling land, investing in utilities and transport infrastructure or providing incentives through the taxation system.

Access to high speed broadband and supports to home based and small businesses are also important in OMGAs’s. Government investment in business incubators/accelerators as well as in the early roll out of high speed broadband in these areas will bring large dividends.

Opportunities exist in OMGAs’s for the establishment of green industries which are likely to find the natural amenity of these areas attractive.

As the Community Services sector is under provided in terms of service provision and jobs available, office space for community services would assist.

Governments can also assist by recognising the importance of town centres as employment and community hubs. Instead of allowing them to become predominantly retail focused, Governments could play a more active role by assembling the land, getting the plans in place, investing in the infrastructure and services, requiring a high level of design and amenity, leading the market by building the types of housing, offices and public spaces that are considered appropriate to demonstrate what should and can be done, by locating government offices in such centres and by providing guarantees to financial institutions so finance is made available.

Opportunities in OMGAs’s include:
- The availability of greenfields sites
- Designated Town centres for concentrated development
- Demand for community services
- Demand for office accommodation
- Establishment of SME’s
- Agribusiness in the rural parts of fringe municipalities

A lot more leverage should be pursued when undertaking large scale infrastructure projects, so as not to lose the opportunity to achieve a more sustainable, liveable and productive outcome. For example, when an activity centre is being developed or a rail line extended, it should be a requirement to design in and implement higher density housing, employment, services, public spaces and state of the art environmental and urban design. It should not have to be an argument by each Council with each developer or government department.

A useful model which links support for manufacturing, skills development and improving outcomes in areas of disadvantage is the Chicago Manufacturing Renaissance Council. Formed in 2005 and based on models in Europe including Mondragon, Spain, the Chicago Manufacturing Renaissance Council (CMRC) is a coalition of business, labor, government, and community leaders working in the area of advanced manufacturing with the aims of assisting businesses to prosper, supporting disadvantaged people into employment, improving economic outcomes for surrounding communities and achieving environmental, economic and social
sustainability. A key finding from research they have undertaken is that the education system was failing the needs of companies and the community. They have consequently developed highly innovative and successful programs including the Austin Polytechnical Academy which is a college and career prep high school in a disadvantaged area, which has support of many companies and which is designed to educate the next generation of leaders in all aspects of manufacturing, from skilled production and engineering to management and company ownership. Other programs include the Austin Manufacturing Training Centre and the Chicago Green Manufacturing Network.

PROPOSED ACTIONS IN SUMMARY

1. Develop agreed standards for infrastructure and service provision in OMGA’s, to improve equity and outcomes.

2. Require all State Departments to plan and to propose Budget expenditure for the infrastructure required to meet growth in OMGA’s.

3. In order to improve skills and training levels in OMGA’s provide:

   - Support services to assist young people to stay in school
   - More tertiary education opportunities in growth areas
   - Access to post secondary skills and training
   - Individual and family support
   - Employer training and support programs
   - Workplace support for employees who require it
   - Programs to assist people to make the transition from school to work or from one job sector to another
   - Support for business and training clusters
   - Improved public transport to access education and training.

4. Invest in the establishment of a version of the Chicago Manufacturing Renaissance Council and its key projects, for OMGA’s.

5. Examine all the options Government has to assist in improving employment diversity in OMGA’s and develop an implementation plan and investment program in concert with Local Governments in these areas.
ATTACHMENT A  ABOUT NGAA

- 24 member Councils nationwide (6 member Councils in Victoria)
- 3.4 million residents in NGAA areas
- 24 percent of Australia’s metropolitan population
- By 2016 will account for 34% of Australia’s growth
- 4.5 million forecast population in 2021
NGAA has developed a strong evidence base. Since 2007 NGAA has done:

- Initial research on data, needs and issues and calculation of an infrastructure funding gap (SGS Economics and Planning, 2007)

- Electronic Community profile for NGAA, based on Census data and showing NGAA as a whole compared to Australia and each capital city (i.d. Consulting, 2009 and kept up to date)

- Cost Benefit Analysis of Investment in Growth Areas (SGS Economics and Planning, 2009) (Summary Attached)

- Survey of Residents in growth areas about their needs and priorities (Auspoll, 2010) (Summary attached)

All research is accessible on NGAA’s website www.ngaa.org.au
ATTACHMENT C COST BENEFIT ANALYSIS OF INVESTMENT IN GROWTH AREAS

Prepared by SGS Economics & Planning (SGS) for NGAA

Summary of Key Findings

- Growth areas on the fringes of Australian cities are significantly disadvantaged in regard to access to jobs and services.
- This situation will worsen without significant public funding.
- The benefit of investment (half closing the gap between fringe growth areas and average metropolitan areas) in jobs, transport and community services in fringe growth areas nationally outweighs the cost.
- The benefits continue well after the investment has been made.
- These results are conservative as there are likely to be broader benefits than those quantified and some of the costs have been attributed narrowly.

Groundbreaking Research

It is understood that it is possibly the first time an analysis of this type has been attempted, i.e., an integrated perspective on the cost benefit of investing in key infrastructure and services in growth areas.

The Gap

The growth areas play an integral role in accommodating growth in metropolitan regions across the nation but are not equitably equipped with public transport and social infrastructure and services or employment opportunities.

Poor performance compared to metropolitan averages is demonstrated for indicators such as:

- Resident skills
- Local employment opportunities
- Education, health and community services
- Housing diversity
- Housing stress.

Case Study Findings

In order to half close the gap with respect to jobs, service and public transport accessibility; in the case study areas of Campbelltown and Swan, the present value of the required investment is $1.1 billion and $2.6 billion respectively. Likely benefits outweigh costs by a ratio of 2.5 and 1.06 respectively.

Benefits stem from improved:

- Education, health, workforce participation and other community outcomes;
- Local job opportunities, both directly and indirectly as a result of improved social service provision;
- Centralisation of jobs in growth areas, as development is channelled into strategic centres well serviced by public transport; and

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9 Purely for the sake of pragmatism, SGS has assumed that the gap between case study growth areas and their metropolitan host regions is not 'fully' but 'half' closed by the interventions identified.
- Linkages with a wider catchment of jobs and services, i.e. outside the municipality, as access to metropolitan public transit systems is afforded.

**National Level Findings**

The case study results were scaled up to include urban fringe growth areas nationally. The results indicated that:

- the present value of required investment totals $50 billion over 2009 to 2031
- the present value of benefits totals $78 billion over the same period
- the present value of benefits is likely to outweigh the present value of costs by a factor of 1.56:1
- investment will boost GDP permanently by 1% at a value of $18 billion per annum
- tax revenues are expected to be higher by $6 billion per annum
- jobs created are estimated to be 230,000.

**State Level Findings**

Extrapolating the results to a State Level Produces the following Outcomes

<table>
<thead>
<tr>
<th></th>
<th>NSW</th>
<th>WA</th>
<th>VIC</th>
<th>QLD</th>
<th>SA</th>
<th>NT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present Value of</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Required Investment ($ million) 2009-2031</td>
<td>15,068</td>
<td>10,468</td>
<td>14,127</td>
<td>9,443</td>
<td>414</td>
<td>486</td>
</tr>
<tr>
<td>Present Value of</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Benefit ($ million) 2009-2031</td>
<td>22,447</td>
<td>16,271</td>
<td>23,412</td>
<td>14,375</td>
<td>615</td>
<td>802</td>
</tr>
<tr>
<td>Benefit-Cost Ratio 2009-2031</td>
<td>1.49</td>
<td>1.55</td>
<td>1.66</td>
<td>1.52</td>
<td>1.49</td>
<td>1.65</td>
</tr>
<tr>
<td>GDP Impact ($ million) pa to 2054</td>
<td>4,957</td>
<td>3,718</td>
<td>5,791</td>
<td>3,232</td>
<td>135</td>
<td>199</td>
</tr>
<tr>
<td>Jobs Created pa to 2054</td>
<td>62,945</td>
<td>47,220</td>
<td>73,542</td>
<td>41,047</td>
<td>1,717</td>
<td>2,530</td>
</tr>
</tbody>
</table>

**Support Needed for Growth Area Communities**

The analysis shows that while growth Councils may in the long term move to a position of self funding infrastructure and services traditionally delivered by local government, there will be a need for continued reliance on state and federal funding for regional infrastructure items.

**Funding Options**

Funding options include:

- New state grants programs for funding infrastructure services in growth areas;
- Specific Federal programs for leveraging investment across tiers of government (such as a refined Building Better Cities Program);
- Direct Federal provision of regional level infrastructure in growth areas via Infrastructure Australia; and
- Interest free loans for growth area infrastructure.

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10 This included the 25 National Growth Area Alliance members.
### ATTACHMENT D

**Key Indicators for NGAA Areas Compared to Metropolitan Averages**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Total NGAA Member Councils</th>
<th>Total Metropolitan Areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual average population growth between 2001 and 2008</td>
<td>2.7%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Proportion of indigenous population</td>
<td>1.7%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Proportion of migrants (overseas born)</td>
<td>27%</td>
<td>29%</td>
</tr>
<tr>
<td>Job to population ratio</td>
<td>27%</td>
<td>43%</td>
</tr>
<tr>
<td>Education, health and community services and cultural and recreational service Index</td>
<td>6%</td>
<td>9%</td>
</tr>
<tr>
<td>Employment self-sufficiency</td>
<td>59%</td>
<td>91%</td>
</tr>
<tr>
<td>Proportion of 15 and over with year 12 or equivalent</td>
<td>39%</td>
<td>48%</td>
</tr>
<tr>
<td>Proportion of population with bachelors degree or higher</td>
<td>10%</td>
<td>19%</td>
</tr>
<tr>
<td>Unemployment Rate December 2008</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>Proportion of white collar working residents</td>
<td>41%</td>
<td>51%</td>
</tr>
<tr>
<td>Proportion of detached dwellings</td>
<td>82%</td>
<td>65%</td>
</tr>
<tr>
<td>House price in proportion to metropolitan</td>
<td>88%</td>
<td>100%</td>
</tr>
<tr>
<td>Housing stress</td>
<td>19%</td>
<td>17%</td>
</tr>
</tbody>
</table>