CORRECTED VERSION

OUTER SUBURBAN/INTERFACE SERVICES AND DEVELOPMENT COMMITTEE

Inquiry into growing the suburbs — infrastructure and business development in outer suburban Melbourne

Melbourne — 18 June 2012

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Mr G. McQuillan, Interface Councils.
The CHAIR — Mr McQuillan, on behalf of the committee, we would like to welcome you here, and I must say it is nice to see you again. Thank you for coming in. We appreciate that you are the chief executive officer of the Cardinia shire but on this occasion you are representing the interface councils as a collective. Just to repeat what you know from when we were together earlier this year at Cardinia shire, what you say here is protected by parliamentary privilege. That would not be extended to outside this setting in any other forum. The Hansard transcript will be available to you in two weeks and you can pick up any spelling errors in that.

If you have some opening remarks at this stage, we welcome those, but we would like a good part of our time together — which is tight as we are hearing a number of witnesses today — to be available for us to ask questions. So if we could be very focused in that we understand a lot of the basics now that we are so far into our inquiry. I invite you to provide us with some opening remarks and then we will get down to some of the specifics very quickly.

Mr McQUILLAN — Thank you for allowing the interface group of councils to present to the community. To recap, Interface Councils consists of 10 councils, all on the outer rim of Melbourne and include all growth areas of Melbourne. That being said, the Interface Councils represents 11 per cent of urban metropolitan Melbourne and about 89 per cent of its rural part. We are home to 1.3 million people, and we will be home to least 60 per cent of Melbourne’s future population, or about one-third of its population. As you said, Madam Chairman, all interface councils have presented to the committee, as I understand. I will not be going over the ground previously covered by them.

Today I would like to discuss with the committee the broad findings of a study entitled One Melbourne or Two?, which I understand has been presented to the committee today. It was prepared by Essential Economics Pty Ltd on the implications of population growth for infrastructure and services within the interface areas. It probably just carries on nicely from what Dr Spiller was just saying at the end, which is the potential disadvantage of our outer metropolitan growth areas of Melbourne.

The second part I would like to discuss is creating a rolling fund for growth area community and recreational facilities, and thirdly, bringing jobs to growth areas and refocusing the role of state government.

The CHAIR — To pick you up on the point of the rolling fund, is that your $5.1 billion interface fund?

Mr McQUILLAN — It is this paper here that was prepared by MacroPlan Dimasi. It is more than 5.1.

Mr ONDARCHIE — Just a little bit more.

Mr McQUILLAN — A bit more than that. Just in terms of the broad findings of One Melbourne or Two?, as I said, over the next 15 years interface councils will accommodate 60 per cent of Melbourne’s population growth, so the interface councils will be doing much of the heavy lifting to accommodate the state’s future population. The benchmarking we have undertaken through One Melbourne or Two? shows that the interface councils have a lower average income, poor educational and health outcomes, higher unemployment rates, and high levels of youth disengagement with regard to higher education and workforce participation. That is set out in that report.

Interface areas have a significant deficit in the provision of local employment opportunities, with approximately one job provided for every two labour force participants, compared to the one-to-one ratio for non-interface areas. The non-interface areas are metropolitan Melbourne councils, which are set out in that report. There is a lack of diversity in local jobs, especially around professional and service industry-type jobs, and a lack of public transport, which leads to a heavy reliance on private vehicle-based travel. Given that 70 per cent of our working populations across the growth areas of Melbourne leave the municipality every day to find jobs, most of them are found to have two vehicles. This causes a lot of congestion and also a lot of economic disbenefits without adequate public transport.

Other key data, which is outlined in the report and on page 33 in particular is the VAMPIRE assessment, which is the Vulnerability Assessment for Mortgage, Petroleum and Inflation Risks and Expenses. It clearly shows that high and very high vulnerability are principally focused in the interface locations. We talk about lower education qualifications compared to non-interface councils. Just 11 per cent of interface council residents aged 15 years and over hold a degree compared to 24 per cent for non-interface councils. Just 52 per cent of interface council residents 15 and over hold no post-school qualifications compared to 43 per cent of non-interface council residents.
Youth disengagement is a major issue for all interface councils. When you look at the statistics regarding disengagement to further education and work participation, a lot of that can drill straight back to the lack of public transport to get to either education or work opportunities. If you take Cardinia, where essentially you have to connect to the railway station at Pakenham through public transport, if you miss that connection, it makes it very difficult to get that connection through to education or employment. You then have to probably catch another train or another bus at least two or three times to get you to your employment. So there is significant disengagement for youth to pursue education once they leave year 12 or work beyond their immediate boundary.

The CHAIR — Mr McQuillan, you are looking at the interface councils as a collective. Can you inform us what their view would be for increased densities therefore to actually have greater population in these areas, which may then attract the infrastructure investment? The way things are at the moment, there may not be the critical mass that triggers the investment.

Mr McQUILLAN — I was speaking in terms of Casey Cardinia. We see ourselves as a region, when fully populated, of about 650 000 people. We are what I would call a subregion of Melbourne. In terms of density of population, Casey Cardinia would have a total population of 650 000. In terms of density of housing, on average it would be 15 dwellings per hectare, but when you get around shopping centres, railway stations and that type of thing, you could be getting up to 30 or 40 dwellings per hectare. There has been, I think, a shift in greater densities, but we do not see ourselves as an individual council. We see ourselves as a region with Casey, and that is the way we are starting to promote ourselves. When we go out to promote ourselves to a prospective employer, we promote ourselves as a region of 650 000 people. I think we have got the density for sure. When you go over to the north-west — the Wyndhams, the Whittleseas and the Humes of this world — they have the population density as well.

Ms GRALEY — I was interested in this $5.1 billion interface fund that you have in your recommendations. We have to commit to ‘a $5.1 billion “interface fund” to be rolled out over 15 years’ to reduce ‘the gap between interface residents and metropolitan residents by 50 per cent’, focusing on ‘job creation, health service provision, public transport and education’. Are you able to discuss that?

Mr McQUILLAN — I had an opportunity to present to the Department of Premier and Cabinet back in March of this year. This is why we presented this paper to the Department of Premier and Cabinet. You may or may not understand this — there is a growth area infrastructure contribution tax that developers are now paying across the growth areas of Melbourne; over time that fund will grow quite substantially. What we are suggesting to the government is to create a rolling fund that allows growth areas such as Cardinia, Whittlesea or Wyndham to borrow that money either at no interest rate or low interest rate to reinvest or to invest in community and recreational facilities, but it could also be transport. That money is paid back. So you have a rolling fund over a number of years to fund the growth areas of Melbourne from now and into the future. We take the view that if you give that money away — I was lucky to get $5 million off any government — you lose that money forever.

We are trying to look at an alternative funding arrangement given the tightness of the budget at the state level in particular. Any government is going to struggle with funding, in my opinion, so we are going to look at an alternative where local government, in growth areas of Melbourne in particular, gets a benefit through creating this rolling fund. Taking this approach, you start to deliver timely services, whether that is recreation, children’s services hubs, libraries, health services or whatever — you start to bring them in in a timely manner.

I think one of the things we see at an interface level is that there is no specific funding, particularly for growth areas of Melbourne. You have a rural and regional fund of $1 billion. We cannot access any of that money; we are classified as metropolitan Melbourne. If you live at Bunyip, you are classified as metropolitan Melbourne. You go 55 kilometres the other side of Melbourne and live at Kyneton — and there is no difference between Kyneton and Bunyip — you can access that fund. What we are trying to do is establish a rolling fund to fund important infrastructure and community works into the future for growth areas of Melbourne.

The CHAIR — Mr McQuillan, when we spoke to you, if I recall correctly, at Cardinia shire you talked about actually having infrastructure bonds.

Mr McQUILLAN — That is an option that has been on the table.

The CHAIR — Is it something that is supported by the interface councils as a collective?
Mr McQUILLAN — It would be, yes; it would be supported by the interface councils. We have pitched that at both the state and federal level — the infrastructure bonds. It is certainly another way of providing a stream of revenue to fund important infrastructure and community works in growth areas of Melbourne.

Ms HUTCHINS — Sorry I missed the start of your presentation; I have read your submission, though, and it is a very important submission for us to consider. I was going to ask about developer contributions and whether you think the current contributions are enough to cover infrastructure development.

Mr McQUILLAN — There is this issue of land affordability. It is a fine balance about what you receive from developers and what councils have to contribute. If you take the two latest suburbs out of Cardinia — I can only talk about them, although we are doing a piece of work which I will refer to the committee when it is finished in the coming weeks. We have Cardinia open to a population of 30,000 and the recently released Officer, which will have 30,000 people. Overall there will be 60,000 people in these two new suburbs of Cardinia. The estimated shortfall the council has to contribute is about $60 million. We will get a significant amount of money from developers, and we will get some money from the state government, but overall the estimated cost to council will be about $60 million that it will have to fund over probably the next 15 to 20 years. Every council has a significant liability it has to pick up out of developer contributions.

There is a view within government that you would be the bureaucracy. We are getting all these rates in. We have estimated that it probably takes up to 10 years to get a return on your rates once you start looking at the additional capital expenditure that councils have to put in, like additional staffing. Staffing is not covered by any developer contributions. If you take my own municipality, we are moving into new offices next year. We have five portables and two off-site. Eventually all these councils have to have new accommodation. That is not provided for. New works, new plant and equipment — all that is not provided for out of any developer contributions.

I think the critical thing is that, yes, we would always like more, but that is why we are looking at some form of rolling fund to in some way help offset the liability that each municipality is faced with through DCPs.

Ms McLEISH — One of the things you have mentioned in your submission and again today is about the levels of disadvantage on a number of different levels. I noticed that in other recommendations you also talk about the primary, secondary and TAFE places you feel are needed. You have not mentioned anything about universities, so is that something you think is not necessary in those areas, or are you thinking that it is fine for everybody to continue to travel to the ones there are?

Mr McQUILLAN — I am probably a realist in the sense that we have Monash University out at Berwick. Are you going to build another university out at Pakenham? No. We have a public hospital at Berwick. Are we going — —

Ms McLEISH — We are talking interface councils though, aren’t we? We are not specific — —

Mr McQUILLAN — I will talk Casey Cardinia, because I know that really well. In the south-east of Melbourne we only have two growth areas, so to get another university or another public hospital is highly unlikely. Go over to the north-west, and I think there are prospects. You have La Trobe University, but as you swing more towards probably Melton and Wyndham and maybe some part of Hume there are prospects that maybe you could have a university established for that part of the growth areas of Melbourne, along with better hospital facilities, yes.

The CHAIR — Have you contemplated attracting a private university? I am thinking of Bond University on the Gold Coast, where Robina wraps around that quite nicely.

Mr McQUILLAN — We have not approach that issue of private universities, no. In fact we have not even had any conversation about attracting private universities. If we get opportunities, particularly through the TAFE system — particularly Chisholm — out our way, that is the best opportunity we can give our young people for advancement into better education and greater opportunity of employment.

The CHAIR — Could you conceive of an institute of higher learning based on maritime services with the expansion of the port — integrated logistics supports, qualifications in ships mastering and so forth? Goods handling?
Mr McQUILLAN — You could think that that is a possibility in the long term. I will give you an example. We have an application with the federal government for the suburban jobs program. That is shortly to be announced. That is an Australia-wide application. Essentially what we are trying to do, if we are successful, is set up a space in Officer where young people can come and study and do a course anywhere in Australia. We want long-distance learning. It has come off the back of a model at the RAAF facility in Sale. We think that is a better opportunity for our young folk — if we can provide a distance learning facility within our municipality. They can come and learn with the right support and take on any course across Australia. That is one thing we have pitched at the federal government at the moment, but there are other applications in the north-west. I have not been told what they are, but — —

The CHAIR — What industries do you see that connecting to, though? Aviation?

Mr McQUILLAN — It is a broad range of educational opportunities. With our young people you have to be able to create pathways. You have to be able to give them aspiration so they can see a future. Most of our kids do not go to university. They come out of year 12, and they might do VET or they might go into a TAFE. Then it is a step program after that. That is why we are concerned about the recent announcements, and we will be doing some economic analysis on that to show what the severe impact is on the south-east. All of that has just started to unravel, but that is not an issue for this committee.

The best opportunity is to give our young folk pathways, and that may lead to a university degree. Whether that is at Monash in Berwick, Western Australia or Queensland, it does not really affect us so long as they have that opportunity and they can see that opportunity, because when they have no aspiration they will just disengage. They will drop out of the education system and also then not see any future work prospects. That is how we have pitched our learning within Cardinia.

The CHAIR — Would that need to be underpinned by access to adult education and retraining for their parents?

Mr McQUILLAN — Probably not. If you get the right support through, say, Chisholm TAFE, you would not need that.

Mr ONDARCHIE — Garry, I want to talk about jobs and economic growth for the interface councils. One of the things this inquiry will look at is evaluating sister city relationships. Do you have a view on that?

Mr McQUILLAN — I am pretty nonplussed about it all, to be honest. As a growth area — I am only talking personally here — I concentrate on making a difference for my whole community. You talk about Melbourne. My objective is to bring Melbourne to Cardinia, the Casey-Cardinia region. That is the only way we can create what I would call liveable communities in the south-east — in the two growth areas in the south-east of Melbourne. Sister city relationships are fairly low on my priority list, to be honest. There is a lot of work that goes into them, and I do not necessarily see any reward coming out of it. When you talk to people about sister city relationships, there is goodwill and a good understanding, but I do not necessarily see any benefits being derived. Having said that, we are trying to create a food belt for Melbourne called the Bunyip food belt. I see that potentially as an opportunity where we may develop closer ties with Asian countries, particularly in terms of manufacturing potential in Casey-Cardinia.

The CHAIR — Can you expand on what the future holds for the Bunyip food belt? When we discussed this before we were informed that it is a place where asparagus is grown at the moment. Beyond what is presently grown there, what do you see in terms of the future for Bunyip and the connection, of course, to existing or future infrastructure, particularly from the port perspective?

Mr McQUILLAN — It is going to go well beyond asparagus. In fact the asparagus farmers are saying to us that they see this as an opportunity to invest in other crops because just growing asparagus is fairly high risk for them. They are looking for other opportunities to grow other crops. What the Bunyip food belt will do is provide a guaranteed water supply to growers and open up grazing areas into high-intensive agricultural farming into the future.

We had a meeting with Minister Walsh last Wednesday to give him an update on where we are at with our conceptual analysis for the Bunyip food belt. We have mapped the area, which covers around 22 000 hectares, of which around about 8000 hectares, we think, will become high-intensive agricultural land. We have projected the
cost of the food belt in terms of the construction of the main trunk line, feeder lines and pump station. We are around about a month away from completing our conceptual analysis of the Bunyip food belt. All the signs at this stage look very positive in terms of it being a viable proposition. That is all I will say.

As to the potential for an export market, if you see what is happening around the world, countries are importing their water through food product. I think there is potential for manufacturing, so what crops are grown within the food belt area could be value added with manufacturing and then exported to, particularly, Asian countries.

The CHAIR — As a collective, do you have a view as to how you could attract local investment whereby with the value-added elements in handling, freezing and exporting, moving those goods offshore, by way of vertical integration, you would encourage local companies to control the chain?

Mr McQUILLAN — We have had a lot of informal discussions with a whole range of people across this journey so far, but until the food belt is a proposal you get no commitment. But you get very strong indications of what is the potential, which I cannot discuss here today because most of those discussions are confidential. You certainly get an understanding of potentially what may happen once the food belt is established. To give you a good example, we are talking with a group of growers at the moment; I will not say what industry they are in. To compete with the Chinese, New Zealanders and potentially Americans, they have to upgrade their capital equipment by $8.2 million just for the industry to survive. They have to reduce the cost of their product by a substantial amount to compete with those three countries. They are things that we are working on.

I see that type of thing happening into the future where, as markets become more globalised, we need to be a lot smarter in terms of reducing our costs to compete with overseas markets. This company wants to bring in a piece of equipment which is worth about $8.2 million, and that is what they have to do if they are going to compete in a world market with their product. Otherwise, essentially what they are saying to me is that industry will close nationwide. They are the prospects, I think, in — —

The CHAIR — We do not know which industry we are talking about here, Mr McQuillan.

Mr McQUILLAN — No, I am not allowed to say because it will give it away.

The CHAIR — That is not very helpful for the purposes of the committee deliberations, I have to say.

Mr McQUILLAN — As I say, I have people talking to me on a confidential basis. I am just giving you an example of an opportunity that can — —

The CHAIR — Are we talking about horticulture, agriculture?

Mr McQUILLAN — Horticulture.

The CHAIR — Horticulture. Do other members of the committee have a question at this time?

Ms HUTCHINS — We heard from the Whittlesea council last year with regard to their target of one job per new household. This is more specific to Cardinia or your own experience. How have you gone with such a target? They claim they have reached that target. What is needed to support that target for other councils in that space?

Mr McQUILLAN — I think aspirationally all councils are looking at one job per working resident. The things that we have put in place are: we are fortunate to have 2000 hectares of development or employment land in our municipality, which serves the Casey-Cardinia region. It will create about 50 000 jobs. We have moved away from the traditional business park and modelled part of that employment precinct on north-western Sydney, so you get a mixture of office, residential, retail and then high-end quality factories. That consists of just over 600 hectares and will create about 18 500 jobs.

In Officer, which has just been approved earlier this year, we are targeting around about 6500 professional jobs in the Officer township. As Dr Spiller said before, with professional jobs and service industry jobs, if you work in those industries within the growth areas you tend to have to move out of your municipality to work. So there is a high concentration of professional and service industry jobs.

Ms HUTCHINS — Can I just ask: does that mean council contributing to the building of such — —
Mr McQUILLAN — We will not contribute to the building. We will offer incentives for companies to come to Pakenham. I would assume most councils would look at that.

The CHAIR — Beyond the obvious benefits of having all sorts of transport systems that encourage development and investment — so people can see that one side of the equation is serious about a commitment to the area — along with universities, TAFEs and responsive centres such as open universities and open learning environments underpinning all that, are we getting enough diversity of housing stock to attract and retain professionals, who often are quite discerning and have the ability to buy expensive real estate? They want their children to go to private schools — the sort of attraction and retention strategies to bring the professional cohorts into the region. Have you got a comment on what should be done?

Mr McQUILLAN — Certainly in Cardinia I say jokingly that we will be the new Boroondara of the south-east in terms of private schools. The opportunities for young people to go to private schools are enormous. What is happening is that our land is cheaper. They cannot afford it in Berwick so they are now building their private schools in Officer in particular and then transporting young kids into Cardinia.

In terms of diversity of housing, we are fairly fortunate in Cardinia; we have probably got the most diverse range of housing opportunities. If you want to live in suburbia, if you want to live in the hills or if you want nice views of Western Port bay — —

The CHAIR — Do you actually promote that?

Mr McQUILLAN — Absolutely, yes.

The CHAIR — Is it working?

Mr McQUILLAN — It is working, but there is no silver bullet for all of this. When we talk to people, they see that there is an attraction for companies to be located in Cardinia because of a whole range of opportunities, whether that be housing, education, sport or culture — we have a cultural centre — or those types of things. It is a whole mixed bag of things that you have to create to attract investment.

One of the most common questions we get asked when people are looking particularly to relocate is that they have to bring a fair few of their existing employees to Pakenham. That is when the question gets asked: what are the range of services? What are the opportunities? Often that will be paramount to any of the decisions they make — that is, what are the opportunities to bring their specialised employees to live in Pakenham.

The CHAIR — What do you say to a potential company relocating either from another state or from the Melbourne central business district? What would you have on offer?

Mr McQUILLAN — We set out all the educational opportunities, and we set out our recreational opportunities, our cultural opportunities, our housing opportunities and so forth. They are the four or five main things that we would sell.

A piece of work we have not started yet is about where we have an advantage. One of the questions we are asked is about employee loyalty. We do not have an indicator about that yet — about how long employees stay with a company, whether or not they will go for an extra $5 an hour and that type of thing. It is an interesting question that prospective employers ask about employee loyalty within the region. That is a bit of work we have to do.

The CHAIR — Amongst the white-collar workers I would imagine that is very difficult to obtain because part of the thrill of some of these new industry bases and professions is to change every 18 to 24 months. It is a whole new paradigm.

Mr McQUILLAN — When you look at residents who are moving into any growth area of Melbourne, they become very time poor. I am fortunate; I live in Clifton Hill and I travel in the opposite direction every day. You have got to be on the Monash Freeway at 6.00 a.m. or 6:30 a.m. to get into Melbourne, and then you have got to get back out in the same traffic again. You become very time poor. We estimate that if nothing is done to create employment in the south-east, people will lose up to four weeks a year just sitting on the Monash car park.

Ms McLEISH — It is interesting that you say you live in Clifton Hill, and I know other CEOs of interface councils who live more inner city. What would attract you to move out into those areas?
Mr McQUILLAN — It is a simple answer: I do not want to get divorced. My wife works in Melbourne. She has got a job and — —

Ms McLEISH — That is the only reason?

Mr McQUILLAN — That is the reason.

Ms McLEISH — You would happily move out?

Mr McQUILLAN — I am not saying that.

The CHAIR — Have you analysed the pressure points of the doctor’s wife syndrome — to get doctors wives to move to Pakenham?

Mr McQUILLAN — It is interesting, and once again it was a private conversation, but probably three or four years ago we had a private hospital consortium that was looking to establish in Pakenham, and the barrier was Dandenong. It was the surgeons who did not want to come past Dandenong; that is what I was told. That may have changed. That is all I can say.

The CHAIR — Mr McQuillan, thank you very much for your contribution today. It is good to see you again, and we will probably talk again in the future.

Mr McQUILLAN — Okay, thank you.

The CHAIR — Thank you very much.

Witness withdrew.