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OUTER SUBURBAN INTERFACE SERVICES AND DEVELOPMENT COMMITTEE

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

Melbourne—22 June 2012

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Urban Development Institute of Australia
Mr T. De Domenico, Executive Director; and
Mr M. Musgrave, Deputy Director - Policy.
The CHAIR—I would like to welcome you both here today. For the record, gentlemen, can I have you provide your name, your designation, the organisation you represent and the physical address of it. We will start with Mr De Domenico.

Mr DE DOMENICO—Thank you, ladies, it is a pleasure to be here. My name is Tony De Domenico, I am the executive director of the Urban Development Institute of Australia, the Victorian division, and our physical address is suite 411, 434 St Kilda Road, Melbourne.

The CHAIR—Thank you very much.

Mr MUSGRAVE—I am Martin Musgrave, I am deputy director, policy, at the Urban Development Institute of Australia and, the same as Tony, the physical address is suite 411, 434 St Kilda Road, Melbourne.

The CHAIR—Thank you. As is customary in parliamentary inquiries, parliamentary privilege is extended to you while you are interfacing with us during the course of these proceedings for this public hearing. That does not prevail outside of this setting that we find ourselves in today. Everything is being recorded by our transcription service here. A hard copy of that will be available to you in two weeks time approximately for any spelling errors. We are welcoming your input today, gentlemen, and we thank you for attending. We are happy for you to lead off with some opening remarks and then we will have an interrogative process following that.

Mr DE DOMENICO—Thank you for the opportunity of presenting before you. I am assuming that you have read our submission. I am not going to go through, word for word, what we said in our submission. That is there for people to see and read. There is no doubt that we are of the view that there is a fundamental disconnect between land use planning and infrastructure provision. I have no doubt about that. We also say that developer contributions place an unfair burden on new home buyers, in particular. That creates housing affordability problems and they are exacerbated by our current infrastructure funding model. We need to look at different ways of funding infrastructure. We realise that people want to live somewhere with an accessible level of amenity, access to comfortable housing and affordable housing, access to work obviously, access to recreation and leisure activities and access to shops and other community facilities.

Quite obviously they want to be connected to public transport, and transport corridors. As I said we are of the view that infrastructure spending should be prioritised so it should be built in advance and that supports objectives for growth and development, I think. I will stop there and I will use an example of that by saying I was fortunate enough to grow up in Reservoir. I always say you can take the boy out of Reservoir but you cannot take the Reservoir out of the boy. We went to Reservoir—or Keon Park, actually—because all it had was a railway station. It did not have made roads, it did not have sewerage. I am glad our colleagues from Melbourne Water are here still. What happened was that through the ratings system, the roads were built which we—the people that lived in the area—paid for incrementally through the rates, and the same as the sewerage. Whereas now people expect everything there at first, and there are all these pressures on the way to fund that sort of thing. There are ways of doing it. You will see in our submission too that we talk about things like infrastructure bonds and other ways of funding—things that have been occurring in the United States and elsewhere.

What we are saying also is that there is too much of a burden on the homebuyer. It was interesting, in submissions made by the previous presenters, suggesting—the words 'developer contributions' come up every time. I am here to say it is not the developer that pays, it is the punter who pays at the end because all those developer costs are obviously passed on to the ultimate person, and that is the first homebuyer. Another classic example is outer areas that mandate third water pipes. It costs about $5,000 to $6,000 extra per block to provide a third water pipe system. That means there is more potable water for the rest of the community to drink. I live on St Kilda Road, I pay nothing, and the poor old person in your electorate in Narre Warren, or your electorate in Keilor, or other electorates are paying an extra $6,000 so I can have more potable water to drink on St Kilda Road. There seems to be some way of perhaps trying to ameliorate that by putting on a community charge all over the place. It comes to bear also in the protection of things like native vegetation, flora and fauna. We try and protect, for example, the Golden Sun Moth because the world as we know it today would end if the Golden Sun Moth did not exist. Let's accept that we agree with that; again why do we
provide $5,000 extra for a block of land to protect something for future generations of Victorians. Guess who pays for that? Whoever the person is that happens to buy on that estate. Whereas we believe if it is worthwhile protecting for future generations, then all the people involved in the future generational change ought to be paying the cost of protecting something. Basically that is what we are suggesting; there are different ways of perhaps funding infrastructure. We all know that governments are reluctant to borrow money, notwithstanding what political party is in power, because of this fear of the loss of the Triple A credit rating, but we think that governments should take a bold look at the provision of infrastructure as something that is very important.

I am interested to see that the population statistics that have just come out confirm what we have been saying for a long time. Whether people like it or not, Melbourne will continue to grow. Luckily Melbourne will continue to grow because without the growth—we do not have the mineral wealth of other states, and it is areas like the building and construction industry and the services industry that make Melbourne the great city that it is. But with growth comes responsibility, and with growth comes the ability to plan in advance for things like transport infrastructure, jobs and other services that any community needs. I will finish off by saying that Melbourne continues to be elected as one of the world's most beautiful cities, and dare I say it is not because of what is being planned today but it is because of what was planned 50 or 60 years ago.

The CHAIR—Thank you very much for those opening remarks. I think it is quite a profound, as well as succinct, summary of what we have discovered through the cycle of our inquiry thus far. I am interested, if you are able to, or are prepared to, comment on when we are talking about issues of housing affordability and the various layers of costs that are imposed—some of it for local benefit, some with a universality, more of a broadly based community benefit for people in the state—and you gave an example of access to potable water because of the impost in that setting of a third pipe. I am thinking of the fact that a lot of people might buy a property not only to live in and raise a family in and engage with the community in, but implied in that is that somewhere along the line there will be some sort of a capital gain in the property. The interest burden on the funding will have a dividend for them over time.

In some of these areas we are not seeing anything like growth, we are seeing mortgage stress coming through and foreclosures because of negative equity and so on. The banks and the marketplace, are they taking notice of all of these other aspirational elements that go into the cost of providing a house?

Mr DE DOMENICO—Probably not, is the answer. It is becoming more difficult for developers to obtain funding from banks, and that has a lot to do with the global financial crisis and the European situation as well, but it is the way assets are valued as well. Quite obviously the banks want a return on their funds. Developers need to develop quickly because they have holding costs associated. You talk about housing affordability, and I think there is one thing that we try and instil is at the end, housing affordability is all about what it costs to go from buying a piece of farmland to turning the key on your house, and the hoops that developers and builders have to jump through in order to get to that stage, and unfortunately again it is the punter that pays at the end, which is why we are delighted whenever governments talk about streamlining planning systems and making it easier for people to buy a home.

One thing that Victoria has still, only slight, is a competitive advantage over the other states on the eastern seaboard on housing affordability that is slowly but surely being eroded because of the numerous hoops that one has to go through. There is a classic example—I use the analogy of what happened, say, 60 years ago where a developer could walk into a council with two pieces of paper and come out with a planning permit, and some of those estates, which are now making Melbourne one of the most liveable cities in the world, were developed; whereas nowadays if you go out with less than a tonne and a half of paperwork you are doing well, and it will take you up to five years to get to the stage of buying a piece of land and starting to develop it because of the various numbers of overlays, whether they be heritage management plans, native vegetation overlays, precinct structure plans, all sorts of other plans that you have to go to. Yes, housing affordability is one of the most crucial issues of our generation, as far as I am concerned, and whilst plenty is said about it, and governments talk about it, very little is done and understood about how to fix it.

The CHAIR—Do you think we are poised to put greater emphasis on infill and therefore substantially denser responses to provide housing that is affordable? The emphasis there is affordable housing, not some very nicely setback two and three-storey cluster of townhouses along boulevards and
inner eastern suburbs. I mean a move away from a detached house on a self-contained block of land, moving
away from the glamour of what is being put on Docklands and Southbank and those areas, to a denser
alternative.

Mr DE DOMENICO—I think the beauty about Australia is that we still have to continue to provide
the choice. I think there is room for what you have just said for the infill bit. But if you look around the
growth areas you will find—the word 'McMansions' is often used. McMansions are built because that is what
people want. We might not like McMansions but we have to try and make sure that we have a blend of both.
In answer to your question—and planning is obviously the poison chalice of all portfolios, notwithstanding
who is in government, and I will get Martin to add to anything that he wants to say after I finish—what I
would be saying is there are some people and some councils out there that believe anything over three floors
is a skyscraper. On the other hand there are some people out in our community that suggest a one inch
expansion of the urban growth boundary, the world is about to end tomorrow. The reality is that we need to
make sure that we use existing land that has existing infrastructure to the optimum amount that we can in
order to prevent us having to continue to build at great cost to people like Melbourne Water, continue
infrastructure getting bigger. We under-utilise what is there, I agree with you, and we under-utilise what is
there because there is no overall planning scheme that says to all councils, 'This is what state government
planning policy is. This is what you'll follow.' Whereas my colleague from Melbourne Water said,
'Depending on which councils you negotiate with, you'll get different stories.'

A good example: a non-standard light pole in Wyndham costs $2½ thousand; the same non-standard light
pole in Whittlesea is about $400. Why is it so—as Professor Julius Sumner Miller would aptly say.

Ms McLEISH—And the answer is?

Mr DE DOMENICO—Because Wyndham says that with every new non-standard light pole you
have to pay $2½ thousand.

Mr MUSGRAVE—They ask for a levy so that light pole can be replaced.

Mr DE DOMENICO—All these light poles in 20 years—

Mr MUSGRAVE—They are all going to fall over.

Mr DE DOMENICO—At the one time.

Mr MUSGRAVE—They assume that they are all going to fall over at the one time.

Mr DE DOMENICO—That is a funny little issue but they are the types of issues that developers,
builters and whatever have to deal with from time to time—different standards.

The CHAIR—It is a bit of creative thinking on behalf of the councils, isn't it, where they see that
they can get a yield from a policy like that.

Mr MUSGRAVE—They have larger reserves of money. We do not know unless we ask the
Auditor-General what that money is doing because it should be set aside for replacement of light poles.

If they are making a yield on that then some 'back of the envelope' calculations that I have done says that in
perpetuity their bank account, regardless of the light poles they have to replace, will continue to
rise—actually, rather low interest yields.

Ms McLEISH—Maybe they could afford those roads that they are complaining about—

Mr MUSGRAVE—Yes.

Mr DE DOMENICO—I used the analogy, I think, over a cup of coffee, that people who expect
Rolls-Royce facilities, ought to be ready for Rolls-Royce maintenance bills. It is all well and good having
beautiful ponds and flowing lakes, sometimes the developers have to provide those facilities because that is what the council wants, and all of a sudden council realises, 'Oops, someone needs to maintain these facilities,' and that is where all the argy-bargy starts to occur between councils and communities and what have you.

Mr MUSGRAVE—One of the things that has just come in as a new growth area engineering standards set, and that basically allows or calls for road services or road bases that you could virtually land an airbus on. Once the developer has that, that then still has to be maintained. One of the issues then is if that deteriorates under council's control then who is responsible for it? Councils, by asking for higher engineering standards at the start, create a higher maintenance burden for themselves in the future. Madam Deputy Chair, one of the issues with your fountain that you mentioned previously, councils then cry poor. They ask for it and then it goes bung and they cry poor. It is not a acceptable position to be in, and if I was a resident I would be particularly up in arms.

Getting back to one of the things that you were talking about, Madam Chair, about infill, I think we need to recognise—and I think the jury is still out—whether the infrastructure that we already have in infill areas is at capacity. That also creates an infrastructure burden for the state government. I know that just about every tram I have been on recently in peak hour has been full to the brim. In fact trams have gone past me. The infill is great in concept but you also still need the infrastructure, just as you need the infrastructure out in the growth areas, to work for the population that is going in. The same goes with not only transport infrastructure but sewerage and water infrastructure in those areas, particularly in some of the areas where those sewerage systems have not been upgraded since early last century and before.

Mr DE DOMENICO—I think there are some interesting things being done though by both sides of politics. The ability to build on a block of land, 300 metres, without a permit is a good incentive. That has been done in growth areas at this stage only. It would be nice to think it could happen in inner Melbourne as well. We need to look at things, like, for example, do we utilise our trams and trains overnight, and the answer is no. Now, do we look at ways in which we can utilise that infrastructure, the rail system, to transport goods and services at night? I do not know, you might have to build special trams and trains to do that, but they do it overseas which means less trucks on the road the following day perhaps. Little issues like that. There are some councils, for example, who used to mandate 1.7 car spaces per unit. There are places I have seen overseas where there are 10 car spaces for 100 units but there are 10 electric cars attached to the 10 car spaces, owned by the body corporate. I know that if I buy in that block of units I do not need a car, but if I do need a car I hire one from the body corporate, do my shopping or go and see mum or dad or whoever, and bring it back to where I live, plug it back in again. They are the types of innovative things that we need to be looking at. Dare I say, we will not get to that level until we have a single planning authority that makes a decision that says, 'Listen, this is the visionary decision we see for Victoria and for Melbourne and notwithstanding which council you belong to, state policy overrides what individual councils want.' A brave decision, I know, because some people will say that democracy as we know it is about to end, but I think it takes that decision-making process to make sure we provide the services that are needed.

The CHAIR—you make a comment about the electric cars, and the whole principle of car cooperatives in general. That is a ratepayer subsidised initiative by the City of Boroondara at the moment. There is disquiet about the fact that it is subsidised, it is not something that is open to the market in general.

Mr DE DOMENICO—I can say that the City of Boroondara is one of those councils that used to mandate 1.7, 1.8 car spaces per unit, notwithstanding the fact that usually the unit is on either a tramline or a train line or both, but in terms of the other questions we need to look at things like building over the top of railway lines like they do overseas as well. Imagine the benefit in terms of the revenue being able to be raised by whoever owns the land on top of those——

The CHAIR—the airspace.

Mr DE DOMENICO—in order to build the infrastructure, and the airspace. I am not saying a blanket over every railway line but in various areas.

Mr MUSGRAVE—Further on that we would also say that we are very supportive of Rob Adams',
from Melbourne City Council, vision of building along tramlines and train lines, a planning scheme that would allow as of right development along tram and train lines that does not necessarily disrupt people's amenity who live in the blocks behind those tram and train lines.

Mr DE DOMENICO—You would have less development on the blocks behind if you were allowed to develop where the tramline is. It kills two birds with the one stone, but it needs to be a blanket across Melbourne. You cannot have Boroondara saying yes, and Yarra saying no, or vice-versa because that is where the problems lie.

Ms McLEISH—With regard to some of these initiatives that you have been talking about, how do you think they would go in some of the outer suburbs in the growth areas that we are specifically looking at, and there are clearly barriers to some of those things.

Mr DE DOMENICO—Barriers involve things like where do people work. We know that 27 per cent only that live in Wyndham work in Wyndham, the rest travel elsewhere. You have to try and create that work provision within the electorate as well. As I said you are now able to build on a 300-metre block without a permit in those growth areas, which is a good idea. The densities in those growth areas range from about 15 plus per hectare which is a lot more than it used to be, but you have to have that mix. You cannot force people to live in an apartment if that is where they do not want to live. You cannot force people to live in the outer areas if what they want is an apartment. The beauty of Victoria is that we have that mix to be able to say, 'Listen, yes, you can do either.' We provide that.

Ms McLEISH—I want to touch base with what you said right at the start with Melbourne being always judged as one of the most liveable cities, not for what we are doing now but for what we did in the past. Giving consideration to the terms of reference we have here, what are we missing?

Mr DE DOMENICO—The people that criticise the McMansions and the fact that we are expanding boundaries, and why we are going that wide, are the ones that do not realise that if you start interfering in what the market wants, you will go wrong every time. Where we went wrong is we have over-planned ourselves to death. Some people want 200 metres either side of waterways, for example. If you picture the old-time planner saying, 'You can't build within 200 metres of the Yarra River, or Darebin Creek,' or anything else, you would have no South Yarra. You would be putting your feet in the water at Glen Iris. They are the things that I am saying. We have been over-planned for far too long. The red tape is astronomical for little benefit, in my view. That is why I keep saying, 'Listen, it's not because of what we're doing today that Melbourne is always voted the most liveable city, it's because of what we've done in the past.'

Have a look at our city precinct. Richmond railway station is in the news at the minute. What a wonderful opportunity of really doing something world class with Richmond railway station. You will have people that will say, 'Anything over five floors on Richmond railway station is going to be a monstrosity,' but when you think of the way it is linked into the sporting precinct, the arts precinct, the city centre, the South Yarra bit and everything else, they are the types of innovative things that need to be done. That needs to be a separate planning authority. You cannot have a situation where you have Melbourne Council saying one thing, Yarra Council saying something differently. It has to be something that is visionary, someone has to be prepared to take over, which is why I am saying—and I think my colleagues at the Property Council and other industry associations are saying—a one planning authority concept is the way to go. If there is a way we can eliminate the politics out of planning it will be all the better for the future of our state and our city is my view.

The CHAIR—You would be looking to the principles presided over by Boris Johnson with the Greater London Authority, the Greater Toronto authorities, you would be drawing upon those?

Mr DE DOMENICO—Brisbane Council, for example. It has worked. A lot of people do not like Brisbane, but it is something that cuts red tape and gives you certainty and consistency—I think those two words, certainty and consistency. The go zones—if the developer knows where he can develop and where he cannot develop, that is fine, but it is the 'maybe' that is the worry. A classic example, a developer will walk into a council planning officer, go through the development, 'Yes, yes, yes,' the planning officer decides to
resign or retire or whatever, a new planning officer comes along, has a look at the plans and says, 'This is not good enough.' In goes the developer again, negotiates again, not happy. He goes to VCAT, it is two, three, four years, and it has cost you hundreds of thousands of dollars. He will say, 'I'll go and develop elsewhere.' They are the issues I think we can fix. It will require parties getting together and saying, 'Listen, let's try and get the politics out of the planning system.' It is easier said than done.

**The CHAIR**—As an interim measure—if we could ever get to a central planning authority—does local government itself need to be overhauled, have greater emphasis on people who work within local government in terms of their skills, their outlook, their experience? Is that something that would help a better understanding, like a better connectedness to the market, to other trends, rather than looking inwardly, myopically, just the whole mind set of skills within local government? I realise that they are driven by local political—

**Mr DE DOMENICO**—You have summarised it beautifully and it gives me a chance to give you a one-word answer which is yes. What you have said I would say yes to. I would take it a step further: innovative things like allowing self-certification. We hear local government say, 'We haven't got any resources. We don't have the staff to be able to cater for the number of development applications we get.' We say, 'Okay, you have a list of 10 planners, professional planners, in the private sector. Pick one of those. We'll pay for the costs of doing all the precinct structure plan, or whatever it is, but once they tick off on the fact that we have crossed every box and ticked every dot and whatever, permit granted.' They are the things that can be done but then you will have some people say, 'No, that removes the democratic right of Mrs Who's-Ma-Whatsis who drives past once and says, listen, I don't like the look of that building, so I'll object.'

We need to look at the way we make it easier for people to object than we do for people who agree. I still say for every one objector there are hundreds of thousands of people who agree or who disagree with the objector. But our legislation is geared to satisfying the whims of the individual objector. I know it is harsh perhaps to say things like that but they are the issues that need to be looked at.

**Mr MUSGRAVE**—I do not think it is just skills either. Councils need to be made more accountable as well. At the moment they are able to essentially, sometimes, string a developer along, and the developer has holding costs and large amounts of costs that they are bearing while that happens and they are still paying rates on their land, and land tax on their land, while they are going through the process. That is money that if the development then goes ahead, ends up on top of the purchase price.

**Mr DE DOMENICO**—A good example of that is development contribution plans. They can range from $320,000 a hectare in one council area, to $120,000 in another council area. My simplistic description of that is, why does a library cost $320,000 a hectare in one council, and the same library $110,000 in another area? That is the way that councils have of saying, 'Okay, listen, I'll give you a permit but you need to build the beautiful waterways and all this sort of thing,' which one day I need to maintain. Some councils try very hard to say, 'Listen, part of the deal is that if we give you the permit you'll have to maintain it for 10 years, 15 years or 20 years,' which means that the price of the block of land goes up incrementally because at the end the punter always pays; always pays.

**Ms GRALEY**—I notice your submission you talk about TIF funding and you say that it operates in 49 states in the USA. Maybe we could have a little bit more information about that, given that you are saying that we have to look at a different way of funding infrastructure in the outer suburbs.

**Mr DE DOMENICO**—I will hand to my colleague Mr Musgrave who has the economics credentials.

**Mr MUSGRAVE**—Essentially with the TIF scheme, the tax system works differently in the United States. We have to be looked at more carefully as to what tax was captured, but essentially the local taxes get captured. A TIF scheme—an amount is put on the land. That amount of land tax is then basically frozen and any value uplift, any incremental increase in the value of the land tax, then goes towards paying the bond back. The TIF zone is announced, bonds are called for and then the bond is paid back over 10, 15, 20 years through the capture of the value uplift of the land.
Mr DE DOMENICO—As soon as you put the infrastructure in, the land value increases. You capture the increase of that value, you pay back the initial money you have used to build the infrastructure.

Mr MUSGRAVE—What it allows is the infrastructure going in early because you have the money up-front based on future revenues. It should not affect credit ratings because it is a contained scheme that is backed by that value uplift. It allows the land value to rise early and allows people to have their amenity up-front. One thing that I would say is that what it tends to encourage is business growth in the area because what it does is, by providing transport infrastructure early it means that businesses can connect with their customers. One of the problems with the one job per household policy of the Growth Areas Authority that is being implemented through the new corridor plans is that there is a disconnect between the jobs that will be created and the people who are going to be either working in these jobs or customers at those workplaces. You need to be able to get people from elsewhere in Melbourne, not only from the growth areas.

If you are going to outlay a large investment in setting up a business, you need to be able to ensure that your customer base can get to you. A TIF scheme would enable that transport infrastructure, particularly cross city transport infrastructure. That is something that we are very poor on, particularly in the outer suburbs, where at the moment our hub and spoke transport system has served us well until maybe 10 years ago where those cross-town links are not there. It becomes very difficult for businesses to set themselves up when they do not know whether the customers are going to be able to get to them or not. I know that is one of your terms of reference for this committee which is ways to get businesses to grow in the growth areas, as well as at the same time as populations growing. The major answer to that is providing that transport infrastructure so that the customers can get to the businesses, and workers can get to the businesses. People these days do not have jobs for life. They might move to the growth areas and settle down and be very happy with the home that they have bought, but that does not mean that their job is always going to be down the road. They also need to be able to get to their future jobs as well. The same goes with businesses as well.

The TIF proposal is a subset of infrastructure bonds but is one that if we could find the model in the Australian and the Victorian context it would be of benefit to growth area and population and business.

The CHAIR—Have you put those concepts to Treasury—the Treasury mind-set. I am thinking of what their reaction would be in terms of their forward estimates for their revenue inquiries on land tax.

Mr DE DOMENICO—Martin is an ex-Treasury worker, but having, in another life, had experience with treasuries, I can say that it is probably put in the 'too hard basket' because it is not in line with what they are currently thinking. It might be something to think about.

Mr MUSGRAVE—Yes, I think they might be worried about underwriting bonds as well.

Ms HUTCHINS—How long has it been in place in the states?

Mr MUSGRAVE—It has been in place for over 50 years.

Ms HUTCHINS—In the current economic climate which over there in this sort of area is complete doom and gloom. Is it falling down or is it still working as well as it has?

Mr MUSGRAVE—To my knowledge it is still working because those bonds are getting paid through the taxes that get captured through the scheme. I do not think there have been many new TIF schemes announced in the last couple of years, but the legacy ones are still going on, that is because there is a large value uplift that comes with the infrastructure.

Ms GRALEY—Mr De Domenico, you paraphrased a former Labor Prime Minister today, and I see he is in the paper saying that superannuation funds should be used for increasing housing opportunities and infrastructure. What do you think about that?

Mr DE DOMENICO—Realistically, one must realise that any director of any superannuation fund must make sure that they optimise the return that their members get. Now, if a superannuation fund would get the optimum return from investing in housing, it would. I know the person you have mentioned very well
and I worked with him, although we are from different political sides of the fence, and I respected him greatly then, but I think had that been possible he should have done it when he was treasurer.

Mr MUSGRAVE—We have been given advice from the Financial Services Council that superannuation companies do look for what they call vanilla returns or vanilla investment opportunities that pay four per cent ongoing. That might not be the best mix for them. Sometimes—the way it has been explained to us—it could be a trade-off between infrastructure being built and a person’s retirement income, and the superannuation trustee has a direct and legal responsibility to maximise the individual member’s retirement income. There is a fundamental conflict there. We think that a vanilla style TIF or infrastructure bond would be an investment vehicle for superannuation companies to invest some of their money in growing our suburbs.

The CHAIR—Would they be skewed away from the outer suburbs that are starved of the infrastructure until it arrives and therefore limited growth, capital growth and then almost default to where the high yield development is occurring, ie, infill? How could you get that to not be skewed?

Mr MUSGRAVE—I do not think necessarily that that would be the case. I personally think some of the reasons why the value uplift does not necessarily happen in our outer suburbs is because of the lack of infrastructure. It is a chicken and egg issue. If you were able to build that infrastructure early then you would have well connected suburbs that people wanted to live in that then had market demand.

The CHAIR—I want to put a concept to you. It was highlighted in our investigations in London actually, and it has to do with the issues of the allure of a capital city and the importance of opening up an office in Melbourne, and the dependency on agglomeration of the allure, and the agglomeration effects that a capital city offers. It is more or less where are you going to open up—and I am not talking about where you need a greenfield site for a manufacturing plant. Let's say, broadly in business services, for instance, financial services. It comes back to the concept of how polycentric could a Melbourne be, and why do people come to work and live in a state of Victoria if you are providing business or financial services. It is where you get the best bang for your buck, the cause and the effects of agglomeration. How do you dampen down that allure? As an example, in London at the moment, in terms of what would be—and mind you it is only a 20-kilometre radius when we are talking about Greater London, it is nothing like the spread of Melbourne. They are still struggling to get people to have this decentralised concept; everybody wants to be attached to, in terms of the worthiness of their brand, the reputation of opening up, hanging up a shingle or a brass plate, they want to have a London address. That has tremendous allure and resonance. What they are doing for the outlying areas is building capacity to shunt people in and out of London. They have almost given up the polycentric, decentralised model. Have you given thought to those principles?

Mr DE DOMENICO—Yes. Victoria is perhaps in the best position in Australia to try and be the innovator. When you think of the distance between areas like Bendigo, Ballarat and up north in your area as well, to the city of Melbourne, if we can maximise our infrastructure along those lines and work closely with the PR people obviously—Geelong is a good example. It is 45 minutes from Melbourne, one of the best harbours in the world. You do not have to go to Melbourne if you do not need to, but if you do it is only 45 minutes up the highway. Why aren't we developing Geelong as another capital city, so to speak. Why aren't we doing the same at Bendigo: great hospital facilities, educational facilities; close to Melbourne if you need to be close to Melbourne but again far enough away to be a separate city by itself. We need to look at that regionalisation as well. Yes, I agree with you there is an allure of Melbourne, and why not? Have a look at the proximity of our sporting complex: our arts and culture; our restaurants around your Brunswicks, Fitzroys, Carltons, South Yarras, all within two or three kilometres of the city. We have everything, which is why Melbourne I think is an outstanding city in comparison to most other cities in the world. Again there is a mixture of both. Victoria is well placed because of our actual smallness and our size.

Mr MUSGRAVE—Melbourne has always been a city of suburbs and that trend of having your business in the CBD, the journey to work dilemma shows that only about 20 per cent of people travel every day into the CBD to work in the Greater Melbourne area, so 80 per cent of people are not necessarily coming into the city every day to work. Maybe head offices in financial services, for instance, want to be in the CBD but I think there are also opportunities for businesses if they are properly connected. Again it comes down to being properly connected. I am a bit of a blow-in to Melbourne, I have only been here five years, I am still a
bit of a stranger, but the thing that struck me about Melbourne was that all the football clubs are close in and you can tell where Melbourne got to in the 1960s and 1970s because that is where the trains and tram lines get to. Beyond that, that is about it. We have not properly invested in our transport infrastructure. The AFL has moved out but Melbourne itself, as far as the transport links, has not. That is one thing that struck me pretty hard. That is my take-home message about the way that Melbourne has developed.

Ms HUTCHINS—I find it a bit hard to swallow, the comment you made earlier, Tony, around that Melbourne is overplanned to death and has been for too long, because this committee has had a hard look at places like Point Cook which clearly had some major planning problems maybe 20 years ago which are now being fought out every day by the residents there, the planning that was done 20 years ago, and other suburbs like Hillside that is in my catchment area that I represent. I would like your comments on that. But the second part of my question is also in your recommendations you talk about that it is essential for new primary infrastructure to go into growth and I would like to know what you consider that infrastructure, the essential stuff, to be.

Mr MUSGRAVE—Can I go first? One of the things that is unfortunate is that VicRoads has—we have been told—a $30 billion backlog of works. That means they cannot build—and they do not have a fund for building—in the growth areas that they have not bid for. They have a model that is unlike Melbourne Water's model, for instance. They cannot go in without demand. They still regard Templestowe as a growth area. When you have a look at areas like Point Cook, I do not think that is a failure of the development community, I think that is a failure of VicRoads and the funding model that we have for VicRoads. Responsibility needs to be taken for that backlog, and a better way of managing the growing needs going forward needs to be thought of. It is all well and good to blame the developer for having built the estate but the developer cannot—without VicRoads approval—build the on-ramp.

Ms HUTCHINS—I am not just talking about that but that is a big problem.

Mr MUSGRAVE—We are unable to build that. Yes, that is a big problem.

Ms HUTCHINS—We also heard in previous hearings from fireys and ambulance officers that some of the streets are so narrow that they cannot get down there and turn around.

Mr DE DOMENICO—that tells me there needs to be a more whole of government approach to things. You talk about Point Cook, and Point Cook, as you are probably aware, was ex-salt flats. Now, some of those developers are winning awards with golf courses and what have you. Why? It is because that is where people want to live. Developers do not develop for the sake of developing, that is the other faux pas. If people want to live in Manangatang, that is where we develop, believe it or not. But they want to live in Point Cook, they want to live in Hillside. The VicUrban development at Hillside won national UDIA awards. The development itself is fantastic. It is the infrastructure around it that needs to be looked at, and that is the responsibility of governments, both federal, state and local, not of the development industry, or Melbourne Water or anybody else.

The CHAIR—Coming back to the $30 billion backlog—

Mr MUSGRAVE—That is what we have been told.

The CHAIR—I live close to some of the road problems in Templestowe and in fact there are a lot of roads in Templestowe that are still pretty much a goat track with no footpaths, no drainage, no kerbing, and some roads with strange cambers on them and quite dangerous. As with the ever-expanding universe of Melbourne's growth corridors we have leapfrogged over—I placed an emphasis, for instance, on the number of septic tanks still causing problems for Yarra. We have to get it right overall. That is the thing we need to recognise. We cannot have a crumbling central infrastructure that are the feeders, conduits and support mechanisms for the outer ring either.

Mr DE DOMENICO—Again that tells me there needs to be a whole of government, whole of party, whole of community support for better use of existing infrastructure. By 'better use of existing infrastructure' I mean as of right, as Martin was suggesting, development along tramlines, for example. Let
us look at the way of perhaps utilising the airspace over train lines. Some people would be upset about that, there is no doubt about that. In any plan scenario you are going to upset some people, but overall there needs to be decisions made that are visionary for the fact that we are continuing to grow in terms of population. We will continue to grow, and people are wanting more and more, and we seem to have less and less to provide more and more. It is more than a planning issue, it is an educational issue as well. It is making sure that people are aware that unless we do something about it, we are going to get to the stage of Sydney where people do not want to live there any more because it is too crammed, it is too congested, it is too—what have you. We have an opportunity to make sure that does not happen to Melbourne.

The CHAIR—Thank you.

Ms McLEISH—I want to make a comment on something that we heard in Canada when we asked about what is a large development and what is a small development. A small development was one or two, and I think in the middle was 20 or so, and a large development was 100 houses.

Mr DE DOMENICO—In Canada?

Ms McLEISH—Yes. Would you like to comment?

Mr DE DOMENICO—We are looking at developments of—

Ms McLEISH—Is the balance wrong perhaps? When we are developing 30,000 homes or however many with one developer or a couple of developers involved, have we got that wrong?

Mr DE DOMENICO—No, I do not think we have.

Ms McLEISH—Has Canada got it wrong?

Mr DE DOMENICO—Probably.

Mr MUSGRAVE—One of the relative strengths of the Victorian land market versus other Australian states is that we do have a lot of private competition in our growth corridors and I think that keeps the prices down. Notwithstanding what we have said before, it keeps the prices down, and competition is a good thing. What we see in other states is monopoly state land development corporations who own most of the Crown land who develop that in joint ventures with developers. It does not necessarily create that competition but keeps those prices down.

Mr DE DOMENICO—The other thing we need to look at too perhaps is an audit should be done of all land owned by government within the urban growth boundary, whether it is the Education Department or whoever. Perhaps there ought to be one single landowner within government, not 17, 18 or 19 disparate people that hold on for dear life—

Mr MUSGRAVE—A silo aspect.

Mr DE DOMENICO—A silo aspect, 'It's my block of land and nothing will be done with it in case I need it.'

Mr MUSGRAVE—There is a mechanism within the budget that charges public authorities for the land that they own, but they get that money back.

Mr DE DOMENICO—Then we can realise where perhaps we ought to be building without having to spend as much money on building infrastructure because it is already there.

Ms GRALEY—I want your reflection on maybe what happened in Dandenong. Do you know anything about the Dandenong—

Mr DE DOMENICO—What, the redevelopment of Dandenong?
Ms GRALEY—Yes. What do you think about that?

Mr DE DOMENICO—I think it is a great idea. No doubt it is creating more employment in the area. It is beautifying the area at the same time. It is giving Dandenong a sense of purpose, taking it away from that Princes Highway thing, and making it more of a liveable area is a good idea.

Mr MUSGRAVE—I will make a comment about Dandenong. There is an affordable housing development that won a UDIA award. They were required to build a basement carpark that if you go to it, there is probably about five cars in it, and several motorised scooters slap bang in the middle of the carpark that look completely incongruous. That developer was able to build a development that would otherwise have been cheaper for each of the residents. It is a salt and pepper estate. It is owned by a housing authority. It is one-third rental from them, one-third was a National Rental Affordability Scheme, and the other third was private owners. There is no difference between the private-owner units and the public tenants. But this massive carpark that they were forced to build, and it is only a walk from the market, a walk from the train station, and most of the residents obviously have not come with a car.

Ms McLEISH—How many spaces are there?

Mr MUSGRAVE—I think there are 100 spaces.

Mr DE DOMENICO—There are 1.7 spaces.

The CHAIR—Surely there is an opportunity for a commercial return on that facility for the rest of the precinct.

Mr MUSGRAVE—There may be but I do not know what council allows, as far as commercialising that versus what has had to be kept free for residents.

Mr DE DOMENICO—That is where we dig into the red tape and—

Mr MUSGRAVE—And market acceptability.

Ms GRALEY—with Dandenong, of course, they established their own separate planning authority. What do you think of that model?

Mr DE DOMENICO—There are different ones—I mean, there is one for Pentridge Village, for example, where the government is the planning authority. When governments become the planning authority, my experience is that it is easier to deal with one authority than to have to deal with all disparate other areas. The Growth Areas Authority is a good example. If the Growth Areas Authority had teeth it would be even doing a better job than it does now because it is an authority without it being an authority, so to speak. It is there to pull people together.

Mr MUSGRAVE—The Growth Areas Authority hold VicRoads to their estimates in DCPs.

Mr DE DOMENICO—I mean, certainty and consistency again. Martin’s example of the underground carpark is a good example. Could you imagine how much less it would have cost for people to get into that development had they not had to pay $5,000 or $6,000 extra per unit, if not more, for having an unusable car spot. That to me is a planning sin. Some other council might not have required that and that is what I am saying, there needs to be more consistency in the way we do things.

Ms HUTCHINS—Can I follow up with the second part of my question: the primary infrastructure. Every organisation we talk to has a different definition. What would you consider primary infrastructure for a growth area?

Mr DE DOMENICO—Roads, tramlines, railway lines, transport corridors obviously.
Mr MUSGRAVE—Buses. I think an essential these days is broadband, and that is something that is being rolled out through the NBN which we are very supportive of.

The CHAIR—Do you have a view on—we talked about the hub and spoke model and the lack of connection the further you go out. I always look at it like a cobweb, filling it in. Have you looked at either light rail or tramlines providing that spine of connection?

Mr DE DOMENICO—Very expensive for a start to do that. The things that need to be looked at are buses on demand. Why have you got this great big bus going around with no passengers in it? Might it be better to ring up and say, ‘Listen, I need the bus to come and pick me up at 11 o’clock because I need to go to the doctor.’ A little minibus comes around and picks up. They are the types of things that are being done in various estates around the world as well. We need to look at that. That might be prohibitive as well but we need to look at it to see whether that is viable.

Mr MUSGRAVE—Things like shuttle buses to stations would be a good interim solution. I agree with you, Madam Chair, that if we could expand out—and as I was saying earlier, you can kind of see where Melbourne got to in the 70s because that is as far as the rail and the tramlines go. If the people of Victoria saw a need for that and were happy to pay for an expansion of the tram and train lines then I think that would be an absolute boon to—

The CHAIR—Yes, on the basis that it is almost like a shuttle between two outlying centres, rather than the full, intense commuter. We realise that long-distance tramlines are not a commuter alternative.

Mr MUSGRAVE—There is a tramline, isn't there, the 82 that does not connect to the rest of the tram network? It is a bit of a shuttle from one—

Mr DE DOMENICO—The classic example of underuse: there is a railway line to Flemington racetrace. It is only used when there are races being run at Flemington or the Royal Melbourne Show. I can quote an example where I used to catch a tram down Toorak Road, and in the morning in peak time you could not get on the tram because there were so many school kids there with their bags, all going to South Yarra station to within two or three kilometres of South Yarra station to the four or five schools. Now, not rocket science, why don't you provide dedicated buses at South Yarra station only for school kids, only at peak time, thus freeing up the room on the trams for those people that do not go to schools. To me that is a no-brainer, but you try and put that forward to anyone in the Transport Department and they think you are a heretic. I keep saying it is not rocket science. To me that would work. In fact I am surprised an entrepreneur has not tried it to see whether they could make a quid out of it. They all either go to Melbourne Grammar, Mac.Robertson Girls High, all the grammar schools around a two- or three-kilometre radius, all from South Yarra station.

Ms McLEISH—The parents would pay.

Mr DE DOMENICO—The parents pay.

The CHAIR—Gentlemen, I think we have finished the questioning from the committee. It has been a really useful session and we value your input, and especially some of the areas that you touched on that requires courage and the capacity, not only to think outside the square but to make sense of that and onsell that. That has given us further food for thought. We really value your input today.

Mr DE DOMENICO—It is a pleasure, Madam Chair.

The CHAIR—It might come about that our executive officer Nathan Bunt—as we start to formulate in our reporting phase, whilst we have focused on our second reference, the elements that go to our first reference which is all around about the liveability, not only the growth of the suburbs. Where we need to expand on some points, would you be open—

Mr DE DOMENICO—In fact delighted to because liveability is very important because nowadays people no longer buy blocks of land and houses, they buy a lifestyle because they demand a lifestyle and that
is what is being provided. I am glad to see that Melbourne Water, our colleagues, were heaping praise on some of the developments. We are proud of some of those developments as well. As you are probably aware we spent last year $92 million, I think, developing wetlands, and I must cheekily end my comments by saying, 'Guess what has been attracted to the wetlands? The Growling Frog endangered species, and guess what they like? Water. Surprise surprise.'

The CHAIR—Have you got any views on how that improves the lot of migratory birds?

Mr DE DOMENICO —Point Cook is a classic example. Point Cook is salt flats. Now, go and have a look at some of those estates like Alamanda with the street art and the community centres and community facilities. Yes, it takes a long time to get in and out in the morning at peak time but once you are in there, by God you love it.

The CHAIR—Gentlemen, thank you very much.

Mr DE DOMENICO—Thank you.

Witnesses withdrew.

Committee adjourned.