

# **A State of Liveability:**

## **An Inquiry into Enhancing Victoria's Liveability**

**A draft report for further consultation and input**

**May 2008**



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## **About the Victorian Competition and Efficiency Commission**

The Victorian Competition and Efficiency Commission, which is supported by a secretariat, provides the Victorian Government with independent advice on business regulation reform and opportunities for improving Victoria's competitive position.

VCEC has three core functions:

- reviewing regulatory impact statements, measurements of the administrative burden of regulation and business impact assessments of significant new legislation
- undertaking inquiries referred to it by the Treasurer, and
- operating Victoria's Competitive Neutrality Unit.

For more information on the Victorian Competition and Efficiency Commission, visit our website at: [www.vcec.vic.gov.au](http://www.vcec.vic.gov.au)

## **Opportunity for further comment**

You are invited to examine this draft report and provide comment on it within the Commission's public inquiry process. The Commission will be accepting submissions commenting on this report and will be undertaking further consultation before delivering a final report to the Government.

Submissions may be sent by mail, fax, audio cassette or email.

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The Commission should receive all submissions by close of business **11 July 2008**.

## Terms of reference

### Inquiry into Enhancing Victoria's Liveability

I, John Lenders MP, Treasurer, pursuant to section 4 of the State Owned Enterprises (State Body — Victorian Competition and Efficiency Commission) Order (“the Order”), hereby direct the Victorian Competition and Efficiency Commission (“the Commission”) to conduct an inquiry into enhancing Victoria's liveability.

### Background

The essence of urban entrepreneurialism is to apply innovative thinking to policy planning in a strategic way, based on long-term vision. Such attitude is an essential property not only of competitive private enterprises in the global market, but also of competitive cities in inter-city competition on a global scale. Urban entrepreneurialism should manifest itself in identifying and building up unique local assets, in harnessing “old policy tools” with totally new perspectives, and in mobilising the collective potential of all the actors in the local economy by motivating and empowering them.

Source: OECD TERRITORIAL REVIEWS: COMPETITIVE CITIES, 2007, p14

Victoria is already one of the most liveable locations in the world, with international surveys ranking Melbourne among the world's top cities in terms of offering the best quality of life. In addition to a strong economy, high quality health and education sectors, booming infrastructure investment and design excellence, Victoria is renowned for its diversity, culture and cohesiveness. The Victorian Government is committed to ensuring that Victoria remains a great place to live, work and raise a family.

Enhancing liveability is important not only from the point of view of the quality of life of existing citizens, but it also impacts on the competitiveness and future prosperity of the State. For example, it is clear that liveability considerations are pivotal to attracting new migrants into the State. Where such migrants are skilled, creative and innovative, this may, in turn, attract high-value industries.

As governments strive to improve liveability, there is a growing recognition of the need to focus on the importance of sustainable development. The concept of ‘sustainable development’ is an evolving, debatable term, with a growing number of definitions, which can involve the balancing of economic, social and environmental policy objectives. In the context of urban development, sustainability has been defined as improving the quality of life in a city –

including ecological, cultural, political, institutional, social and economic components – without leaving a burden on future generations. For example, the use of high quality, creative design solutions and modern technologies can help minimise the environmental impacts of new urban developments.

The Commission’s inquiry will investigate the links between liveability and the competitiveness of the State, and consider ways in which the Government can best enhance Victoria’s status as an attractive, vibrant and inclusive place to live, while ensuring that sustainability issues are taken into account.

The inquiry will inform the development and application of future decisions made by the Victorian Government.

### **Scope of the inquiry**

The Commission will inquire into, and report on, issues related to enhancing the liveability of Victoria. In particular, the Commission is to:

1. explore, using well-established measures of liveability (such as those adopted by the EIU in its international surveys of liveable cities), the link between liveability and enhancing Victoria’s competitiveness;
2. examine the efficiency advantages of good planning and community infrastructure, and evaluate the economic costs of poor urban design;
3. discuss whether there are dimensions of liveability that are different in provincial Victoria than in Melbourne;
4. report on the planning, design and implementation of sustainable urban concepts and systems in other jurisdictions – both in Australia and internationally – that are focused on achieving liveability goals, and comment on the potential applicability of such approaches in Victoria;
5. identify opportunities for government action to enhance the liveability of Victoria – while taking into account sustainability issues – and suggest ways of overcoming any challenges faced in realising these opportunities.

While an examination of planning issues will be important to this inquiry, a critique of the Government’s Melbourne 2030 strategy is outside the scope of these terms of reference. Furthermore, the Commission’s findings should be made within the current policy framework of other relevant initiatives (such as Growing Victoria Together and Meeting Our Transport Challenges).

### **Inquiry process**

In undertaking this inquiry, the Commission is to have regard to the objectives and operating principles of the Commission, as set out in section 3 of the Order. The Commission must also conduct the inquiry in accordance with section 4 of the Order.

The Commission is to consult with key interest groups and affected parties, and may hold public hearings. The Commission should also draw on the knowledge and expertise of relevant Victorian Government departments and agencies, including planning authorities (such as VicUrban).

The Commission is to produce a draft report for consultative purposes, and a final report is to be provided to me within twelve months of receipt of this reference. The report should be targeted towards an interested, learned audience, and should be no more than 250 pages long, including appendices.

**JOHN LENDERS MP**

**Treasurer**

**12 October 2007**

## Preface

The release of this draft report gives interested participants the opportunity to comment on the Commission's analysis in relation to its inquiry into enhancing Victoria's liveability. The Commission will consider comments received prior to developing and presenting the final report to government. The Commission regards the draft report and commentary stage as particularly important to this very broad inquiry.

In preparing this draft report, the Commission has invited public submissions and consulted widely with a range of organisations, government departments, local governments and individuals. Stakeholder input has greatly assisted the Commission in reporting on the many facets of liveability and in presenting a draft response to the Victorian Government on ways to enhance Victoria's liveability.

The Commission invites written submissions on the draft report. These submissions may address any of the issues covered by the Terms of Reference. In light of the submissions received, the Commission will hold further consultations as necessary.

At the conclusion of consultation on the draft report, the Commission will prepare a final report to be presented to the Victorian Government by October 2008. The Order in Council establishing the Commission says that the Treasurer should publicly release the final report and that the Victorian Government should publicly release a response to the final report within six months of the Treasurer receiving the report.

The Commission looks forward to receiving feedback on the draft report.

The Commissioners have declared to the Victorian Government all personal interests that could have a bearing on current and future work.

Robert Kerr  
Presiding Commissioner

Peter Johnstone  
Commissioner



# Contents

<b>Opportunity for further comment</b>	<b>III</b>
<b>Terms of reference</b>	<b>IV</b>
<b>Preface</b>	<b>VII</b>
<b>Contents</b>	<b>IX</b>
<b>Abbreviations</b>	<b>XV</b>
<b>Glossary</b>	<b>XIX</b>
<b>Key messages</b>	<b>XXIII</b>
<b>Overview</b>	<b>XXV</b>
<b>Draft recommendations and findings</b>	<b>XLI</b>
<b>1 Introduction</b>	<b>1</b>
1.1 Background to the inquiry	1
1.1.1 Defining liveability	1
1.1.2 The policy context	2
1.1.3 Victoria’s growth and liveability	2
1.2 Scope of the inquiry	3
1.3 Conduct of the inquiry	4
1.4 Report structure	5
<b>2 Defining and describing liveability</b>	<b>7</b>
2.1 Introduction	7
2.2 Defining liveability	7
2.2.1 Participants’ views on liveability	8
2.2.2 The Commission’s view on liveability	11
2.3 Focusing the report	12
2.4 Summing up	13
<b>3 The drivers of liveability</b>	<b>15</b>
3.1 Introduction	15
3.2 The role of economic strength and markets in enhancing liveability	15
3.3 The role of government in enhancing liveability	17
3.3.1 Subsidiarity	19
3.4 Human rights, disadvantage and liveability	21
3.5 Adding value to liveability	24
3.6 Summing up	24

<b>4</b>	<b>Measuring liveability</b>	<b>27</b>
4.1	Introduction	27
4.2	International measures of liveability	27
4.2.1	Economist Intelligence Unit liveable cities ranking	28
4.2.2	Mercer Human Resource Consulting's worldwide quality of living survey	29
4.3	Australian measures of liveability	30
4.3.1	Community Indicators Victoria	31
4.3.2	Australian Unity Wellbeing Index	31
4.3.3	Growing Victoria Together	32
4.4	The role of liveability measures in public policy	34
4.4.1	Composite indicators	35
4.4.2	Suites of indicators	37
4.4.3	Benefits and challenges of measurement	38
4.4.4	Liveability reporting for Victoria	38
4.4.5	How often should information be reported?	40
4.5	Summing up	40
<b>5</b>	<b>Exploring links between liveability and competitiveness</b>	<b>41</b>
5.1	Introduction	41
5.2	The meaning of competitiveness	41
5.3	Links between liveability and competitiveness	44
5.4	Links from liveability to competitiveness (Link 1)	45
5.4.1	Liveability and attracting labour	46
5.4.2	Liveability and attracting capital	49
5.5	Links from competitiveness to liveability (Link 2)	51
5.6	Potential trade-offs between liveability and competitiveness (Link 3)	52
5.7	Factors common to liveability and competitiveness (Link 4)	53
5.8	Factors explored further in this report	55
5.9	Summing up	57
<b>6</b>	<b>Liveability and strong communities</b>	<b>59</b>
6.1	Introduction	59
6.2	Strong communities and liveability	59
6.2.1	Strong communities and liveability from an individual's perspective	60
6.2.2	Strong communities and liveability from a competitiveness perspective	62
6.3	Features of strong communities promoting liveability	63
6.3.1	Connectedness	63

6.3.2	Cultural diversity	64
6.3.3	Local amenity	66
6.3.4	Access to services	70
6.3.5	Community engagement	72
6.3.6	Housing affordability	73
6.4	Building community strength	73
6.4.1	The community sector	74
6.4.2	Corporate citizenship	75
6.4.3	Governments	77
6.5	Summing up	83
<b>7</b>	<b>Liveability in provincial Victoria</b>	<b>85</b>
7.1	Introduction	85
7.2	Overall liveability in provincial areas	86
7.2.1	Survey data	87
7.2.2	Population movements	88
7.2.3	Businesses in provincial areas	90
7.3	Factors underlying provincial liveability	92
7.3.1	Factors positively affecting provincial liveability	92
7.3.2	Factors adversely affecting provincial liveability	94
7.3.3	Are provincial areas as liveable as Melbourne?	98
7.4	Local governments in Victoria	99
7.4.1	Local government activities and resources	100
7.4.2	Interface between local and state governments	101
7.5	Interaction between Melbourne and provincial Victoria	102
7.6	Summing up	103
<b>8</b>	<b>Urban planning and design, and community infrastructure</b>	<b>105</b>
8.1	Introduction	105
8.2	The efficiency advantages of good planning and community infrastructure	107
8.2.1	The efficiency advantages of good planning	107
8.2.2	The efficiency advantages of community infrastructure	109
8.3	The costs of poor urban design	110
8.3.1	Economic costs of poor urban design	112
8.3.2	Social costs of poor urban design	114
8.3.3	Environmental costs of poor urban design	116
8.4	How sustainable urban concepts have been adopted internationally	117
8.4.1	Key lessons from international experience	118
8.5	The role of government in urban design and planning	119
8.5.1	Local governments	119
8.5.2	Victorian Government	120
8.5.3	Commonwealth Government	121

8.5.4	Opportunities for improvement	122
8.6	Summing up	132
<b>9</b>	<b>Transport and liveability</b>	<b>135</b>
9.1	Introduction	135
9.2	Transport, liveability and competitiveness	135
9.2.1	The importance of transport for individuals	136
9.2.2	The importance of transport for businesses	138
9.3	Recent reforms	140
9.3.1	The current transport policy framework	140
9.3.2	Other initiatives	144
9.4	Scope for improvement	146
9.4.1	Population growth	148
9.4.2	Issues identified by inquiry participants	154
9.4.3	Adverse effects of policies	155
9.4.4	Regulation in the tax industry	156
9.5	Summing up	158
<b>10</b>	<b>Environmental quality</b>	<b>161</b>
10.1	Introduction	161
10.2	Current state of play in Victoria	162
10.2.1	Major environmental policies	163
10.2.2	Roles and responsibilities of different Victorian government agencies	165
10.2.3	Role of local governments	169
10.2.4	Commonwealth environmental requirements	170
10.2.5	Climate change and the principle of subsidiarity	171
10.3	Are environmental considerations adequately protected in policy making?	173
10.3.1	Environmental effects statements	173
10.3.2	Regulatory impact statements	174
10.4	Reporting environmental outcomes	175
10.5	Summing up	177
<b>11</b>	<b>Bringing it all together</b>	<b>179</b>
11.1	Introduction	179
11.2	Overarching themes	179
11.3	Improving information	180
11.4	Government and subsidiarity	181
11.5	Best practice regulation	181
11.6	Managing growth in ‘one Victoria’	182

## APPENDICES

<b>A</b>	<b>Consultation</b>	<b>183</b>
A.1	Introduction	183
A.2	Submissions	183
A.3	Round tables	186
A.4	Stakeholder consultations	190
<b>B</b>	<b>The creative class, location and competitiveness</b>	<b>193</b>
B.1	Introduction	193
B.2	The creative class	193
B.3	Location and competitiveness	196
B.4	Summing up	197
<b>C</b>	<b>Housing affordability</b>	<b>199</b>
C.1	Introduction	199
C.2	Housing affordability in Victoria — a snapshot	199
C.2.1	Recent trends in housing affordability	199
C.2.2	Extent of housing stress	201
C.2.3	Geographic variations in housing affordability	202
C.3	The planning system and land supply	203
C.3.1	Planning delays	203
C.3.2	Land supply	204
C.4	Policy coordination and information	205
C.4.1	Coordination between governments	205
C.4.2	Information base	207
C.5	The private rental market	208
C.5.1	Quality of rental properties	208
C.5.2	Minor modifications to rental properties	211
C.5.3	Access to the rental market	212
C.6	Diverse and accessible housing	213
C.6.1	Diversity in housing stock	213
C.6.2	Accessible and adaptable housing	214
C.7	Summing up	215
<b>D</b>	<b>How sustainable urban concepts have been adopted internationally</b>	<b>217</b>
D.1	Introduction	217
D.2	Vancouver	217
D.2.1	The success of Vancouver’s plan	219
D.2.2	Implications and lessons for Victoria	219
D.3	Liverpool	220
D.3.1	The success of Liverpool’s plan	221

D.3.2	Implications and lessons for Victoria	221
D.4	Barcelona	222
D.4.1	The success of Barcelona’s plan	223
D.4.2	Implications and lessons for Victoria	224
D.5	Dublin	224
D.5.1	The success of Dublin’s plan	225
D.5.2	Implications and lessons for Victoria	226
D.6	Summing up	226
<b>E</b>	<b>Regulation in the taxi industry</b>	<b>229</b>
E.1	Introduction	229
E.2	Taxis for people with a disability	230
E.3	The impacts of economic regulation	231
E.4	Next steps in reforming taxi regulation	233
E.5	Summing up	234
	<b>References</b>	<b>235</b>

## **Abbreviations**

ABS	Australian Bureau of Statistics
AHA	Australian Hotels Association
AHURI	Australian Housing and Urban Research Institute
BAV	Bus Association Victoria
BTRE	Bureau of Transport and Regional Economics
CABE	UK Commission for Architecture and the Built Environment
CALD	culturally and linguistically diverse
CAV	Consumer Affairs Victoria
CBD	central business district
CBI	Community Building Initiative
CIV	Community Indicators Victoria
COAG	Council of Australian Governments
CPA	Competition Principles Agreement
CSDP	Core Strategy Development Plan
CSHA	Commonwealth–State Housing Agreement
DHS	Department of Human Services
DOI/DOT	Department of Transport (created in April 2008 from the Department of Infrastructure)
DPCD	Department of Planning and Community Development
DSE	Department of Sustainability and Environment
DTF	Department of Treasury and Finance
DTO	Dublin Transportation Office
EES	environmental effects statement

EIU	Economist Intelligence Unit
EPA	Environment Protection Authority
ESD	Ecologically Sustainable Development
EWLNA	East West Link Needs Assessment
GAA	Growth Areas Authority
GDP	Gross Domestic Product
GSP	Gross State Product
GVRD	Greater Vancouver Regional District
GVT	Growing Victoria Together
HRSCEH	House of Representatives Standing Committee on Environment and Heritage
ICT	Information and Communication Technologies
IMD	International Institute of Management Development
LPPF	Local Planning Policy Framework
LRSP	Liveable Region Strategic Plan
MACVC	Ministerial Advisory Committee for Victorian Communities
MAV	Municipal Association of Victoria
MMBW	Melbourne and Metropolitan Board of Works
MOTC	Meeting Our Transport Challenges
MTF	Metropolitan Transport Forum
MTP	Metropolitan Transport Plan
NATSEM	National Centre for Social and Economic Modelling
NETS	national emissions trading scheme
NSESD	National Strategy for Ecologically Sustainable Development

OCGI	Office of Coordinator-General, Infrastructure
OECD	Organisation for Economic Cooperation and Development
OSISDC	Outer Suburban/Interface Services and Development Committee
OVGA	Office of the Victorian Government Architect
PC	Productivity Commission
PIA	Planning Institute of Australia
PJCCFS	Parliamentary Joint Committee on Corporations and Financial Services
PWI	Personal Wellbeing Index
RACV	Royal Automobile Club of Victoria
REIA	Real Estate Institute of Australia
REIV	Real Estate Institute of Victoria
RIS	regulatory impact statement
RMF	Regional Management Forums
SARC	Scrutiny of Acts and Regulations Committee
SGS	SGS Economics and Planning Pty Ltd
UDIA	Urban Development Institute of Australia
UK	United Kingdom
US	United States of America
VCAT	Victorian Civil and Administrative Tribunal
VCOSS	Victorian Council of Social Service
VEOHRC	Victorian Equal Opportunity and Human Rights Commission
VTD	Victorian Taxi Directorate
WEF	World Economic Forum



## Glossary

<b>Act</b>	A Bill that has been passed by Parliament, received Royal Assent and become law.
<b>community strengthening</b>	A sustained effort to increase connectedness, active engagement and partnerships among members of the community, community groups and organisations in order to enhance social, economic and environmental objectives.
<b>competitiveness</b>	In this inquiry, competitiveness has been interpreted as the ability of a location to attract and retain mobile factors of production and to develop and use mobile and fixed factors efficiently.
<b>composite indicator</b>	A composite indicator is formed when individual indicators are aggregated into a single index, often with various weightings of the components.
<b>congestion</b>	In the case of roads, congestion occurs when the number of vehicles using a road at any point in time causes vehicle speeds to fall below those experienced in freely flowing traffic. In the case of public transport, congestion occurs when the number of passengers using trains, trams or buses exceeds accepted capacity (overcrowding), resulting in vehicle delays and passenger discomfort.
<b>DOI/DOT</b>	The Commission conducted its early consultation with the Department of Infrastructure. In April 2008, the Department of Transport was formed and it takes on many of the functions previously undertaken by the Department of Infrastructure.
<b>externalities</b>	Externalities refer to situations where the actions of an individual affect the welfare of one or more other individuals and where those effects are not associated with market transaction or bargain between the parties. These ‘spillover’ effects may be positive or negative. If they have a positive effect, it may be desirable to encourage more. If the impact is negative, social welfare may be improved by a reduction in the harmful activity.

<b>green paper</b>	A green paper is a document detailing draft policy intentions designed for consultation with stakeholders. The objective is to arrive at a general consensus before the official policy document (white paper) is released.
<b>Growing Victoria Together</b>	<i>Growing Victoria Together</i> is a ten-year vision that articulates what is important to Victorians and the priorities the Government has set to build a better society.
<b>liveability</b>	Liveability reflects the wellbeing of a community and represents the many characteristics that make a location a place where people want to live.
<b>legislation</b>	Laws passed by Parliament, or subordinate legislation being statutory rules made under powers delegated by Parliament.
<b>Meeting Our Transport Challenges (MOTC)</b>	The Victorian Government's 25-year transport plan (released in 2006) that includes infrastructure projects but also seeks to provide a framework for addressing future needs and challenges.
<b>Melbourne 2030</b>	<i>Melbourne 2030 — Planning for Sustainable Growth</i> (released in 2002) is the Victorian Government's 30-year plan to manage growth and change across metropolitan Melbourne and surrounding regions.
<b>public goods</b>	Public goods can be considered a special type of externality where equal amounts are available for consumption by everybody in the community simultaneously (it may be valued differently by different individuals). Because consumption of the public good (or bad) is 'non-rivalrous' (consumption by one person does not affect the amount available to others), and 'non-excludable' (people cannot be prevented from consuming the good (or bad)), private provision is likely to fall short of the social optimum because payments for services cannot be enforced.
<b>policy development</b>	The process of formulating the direction of new primary and subordinate legislation, codes of practice, preparation of regulatory impact statements and business impact assessments, as well as policies on funding programs, community information or other

activities. It includes consultation on these matters.

**planning scheme**

A statutory document that sets out objectives, policies and provisions relating to the use, development, protection and conservation of land in the area to which it applies. Each municipality in Victoria has its own planning scheme.

**regulation**

The imposition of some rules, supported by government authority, intended to influence behaviour and outcomes. The Organisation for Economic Co-operation and Development defines the term as ‘the instruments by which governments place requirements on enterprises, citizens and government itself, including laws, orders and other rules issued by all levels of government and by bodies to which governments have delegated regulatory powers’.

**subsidiarity**

The subsidiarity principle suggests governance functions should be assigned to the level of government that is best placed to deliver functions in pursuit of joint policy goals and requires that decisions should be taken by an entity as close as practicable to the people affected by those decisions.

**white paper**

A white paper is a document which details government policy intentions and commitments.



## Key messages

- Liveability is a familiar concept covering many aspects of life including: employment and incomes, community strength, environment, amenity and place, planning, participation, and infrastructure including transport.
- Economic and community strength and social capital are critical to liveability.
- Most international measures of liveability suggest that Victoria performs well.
  - Melbourne is second only to Vancouver on the EIU index.
  - But international measures, with subjective weighting and data choice, give limited insights for Victorians or for policy development.
  - More detailed indicators can help inform the many liveability decisions of individuals, governments and businesses.
- Liveability and competitiveness are interdependent and many actions that improve liveability will also improve competitiveness and vice versa.
  - Businesses value the labour market consequences of a liveable state.
- Provincial Victoria reports a high satisfaction with liveability and can be viewed broadly as the ‘liveable alternative’ to Melbourne.
- In the context of a growing State, investing in provincial Victoria can relieve the costs of Melbourne’s growth.
- The leadership role provided by local governments, with their ability to respond to their local communities, especially in provincial areas is particularly important to enhancing liveability outcomes.
  - The strengths of local government in Victoria offer a possible comparative advantage in relative liveability compared with other states.
- The costs of poor urban design become more apparent as cities develop. There has been much innovation in sustainable urban design concepts.
  - But no distinctly different approaches overseas are producing markedly better outcomes than here.
- The search for urban planning efficiencies needs to manage the legitimate tensions between local, citywide and State interests. A Growth Areas Authority type body for the whole of Melbourne is worthy of further exploration.
- The Commission has identified themes for enhancing Victoria’s liveability:
  - Enhancing information provision to better inform decision making by governments, individuals and businesses.
  - Effective integration of government efforts to improve liveability.
  - The importance of best practice regulation to ensure only appropriate and necessary government intervention in community and business activities (taxi regulation is ripe for review).
- The annual review of *Growing Victoria Together* could be extended to report further on transport, community strength, regulation and the environment.
- Managing growth and enhancing liveability for ‘one Victoria’ is a recurring theme in the report.



## Overview

Liveability is a primary concern for all Victorians and is arguably at the centre of most government decisions. Victoria is already one of the most liveable locations in the world, with international surveys ranking Melbourne as among the world's most liveable cities.

This inquiry is being undertaken at a time of economic growth, population growth and demographic change. A major challenge for Victoria, particularly in Melbourne, but also for some areas of provincial Victoria, is managing the consequences of growth. Increased population involves challenges such as pressures on services, congestion and housing affordability, but also opportunities to plan for a stronger future.

### What is liveability?

Liveability is a familiar concept covering many aspects of life. A broad range of factors and their interactions contribute to making a place liveable. Hence, there is no single definition of liveability and the factors that different people consider important vary (box 1). In addition, liveability will vary for individuals depending upon their circumstances and lifecycle stage.

The Victorian Competition and Efficiency Commission (the Commission) has developed a working definition, namely:

Liveability reflects the wellbeing of a community and represents the many characteristics that make a location a place where people want to live.

The definition encompasses a wide range of common characteristics of a liveable place, such as: community strength; economic strength; built infrastructure; social infrastructure; amenity and place; environment; citizenship; equity and human rights; participation; leadership and good governance; information; transport; and innovation.

## Box 1 What is liveability?

SGS Economics and Planning defined liveability ‘in terms of how well a city or region works’ and noted that liveability:

... relates to efficiency and comfort in getting to work and fulfilling other transport needs. It also relates to air quality, water quality, conservation of bio-diversity, housing accessibility, cultural vitality and tolerance and the adequacy of recreational resources, including open space.

Liveability in this sense has much to do with the spatial organisation of settlement and the sufficiency of infrastructure. Clearly some places ‘work better’ than others. (sub. 26, p. 1)

Hobsons Bay City Council argued that any definition of liveability should include the interaction between social, economic and environmental factors. Similarly, the Bayside City Council argued that sustainability was a key component of liveability:

... it is not enough to pursue liveability in its own right. It is also essential to ensure that this liveability is sustainable in economic, social and environmental terms. If not sustainable, then the ability to maintain liveability into the future would be compromised. (sub. 15, p. 3)

Most inquiry participants agreed that liveability includes community wellbeing. The Victorian Council of Social Service argued that liveability can be defined as ‘the degree to which a community’s physical and social environment equitably and sustainably supports the wellbeing of its members’ (sub. 46, p. 4). Berry Street stated:

For a definition of liveability to be meaningful to the whole community the definition needs to be expanded to include measures of social cohesion, participation, access to services and amenities and quality of life and especially social inclusion. (sub. 35, p. 2)

## How should we measure liveability?

The Economist Intelligence Unit’s (EIU) liveable cities ranking is one of the well-known studies which rank the liveability of cities across the globe. Melbourne tends to perform well by international standards based on these measures.

Table 1 Comparison of liveability survey rankings

<i>City name</i>	<i>Economist Intelligence Unit — Liveability ranking 2005</i>	<i>Mercer worldwide quality of living survey 2007</i>
Vancouver	1	3
Melbourne	2	17
Barcelona	33	41
Dublin	47	27

Source: Urbis 2008.

There is a great deal of other information relating to liveability collected in Victoria. For example the Victorian Government's reporting on *Growing Victoria Together* (GVT) provides information relating to many aspects of liveability, such as economic growth, health and education, the environment, communities and democratic processes. In addition, there are other information sources. The Community Indicators Victoria (CIV) project is a notable source for a range of community wellbeing indicators particularly at the local government level.

The value of the various liveability measures depends upon how they are to be used. The Commission has focused on using liveability measures to inform choices for governments, businesses and individuals.

The Commission found that composite indicators, like the EIU measure, are of limited use for informing specific policy decisions and assisting many decisions made by individual Victorians. Composite indicators involve subjective choices of component weights and data. Different composite indicators using similar methodology can give widely different results.

The Commission found that a suite of indicators focused on specific policy outcomes can provide more useful information to assess the performance of government policy initiatives (at both the state and local levels) and assist business and individual decision making.

Victoria is fortunate that there is already a range of indicators available — such as those published as part of GVT and CIV — but they are not assembled in an easily accessible form. There may be other liveability indicators which could supplement the existing information and help further build a liveability report for all Victorians.

The Commission proposes that the government publish annually a suite of liveability indicators based on GVT, but supplemented by some suggested additional indicators identified during the course of the inquiry. Initial supplementation could usefully include measures of: congestion and public transport; housing affordability; regulation; and the environment (after the State of the Environment report later in 2008).

## **How are liveability and competitiveness linked?**

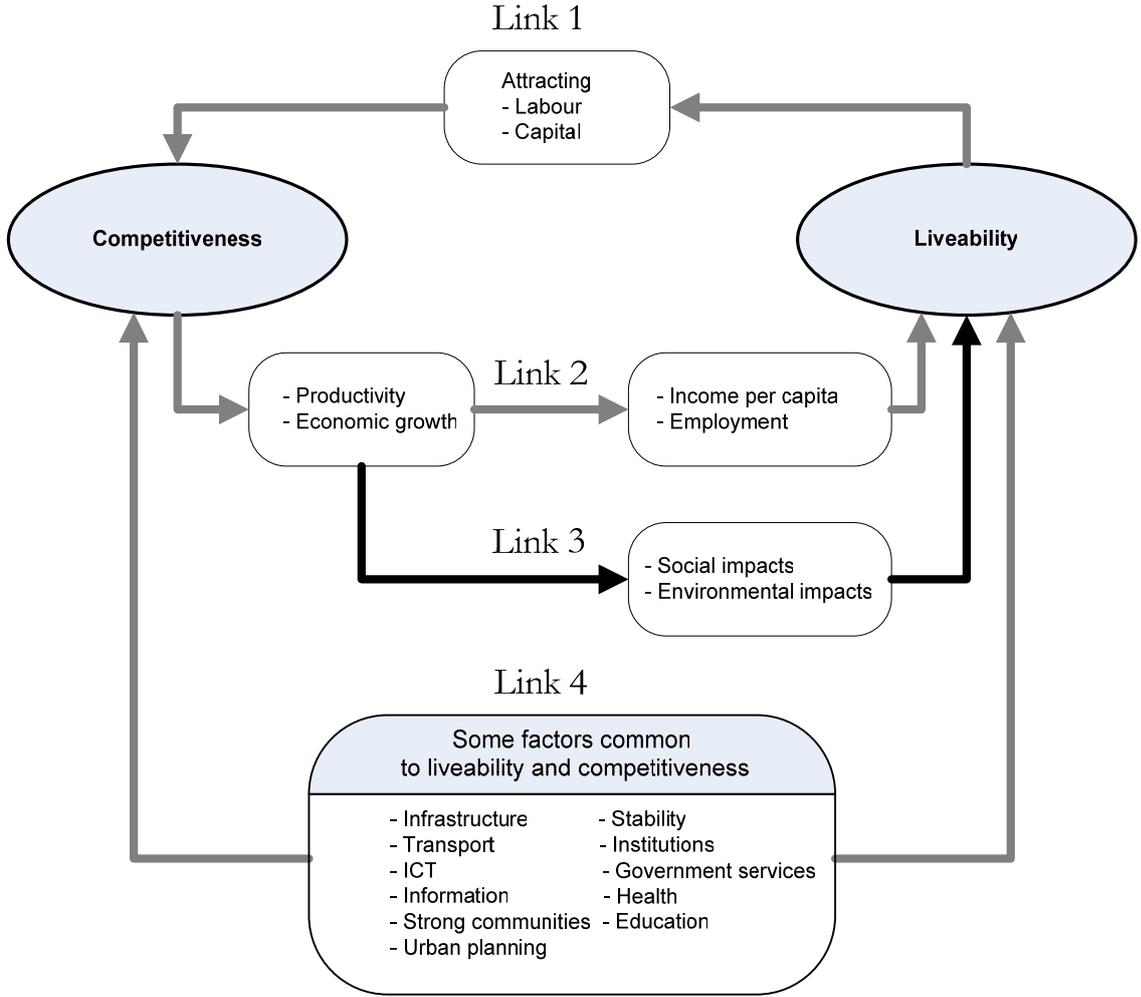
Liveability is important to Victorian residents — it's about the characteristics and attributes of the places where they want to live and work. But liveability is also important in the context of competitiveness. There are overlaps between many factors which enhance liveability and those that contribute to competitiveness.

While there is no generally accepted definition of competitiveness, in this inquiry competitiveness of a location is interpreted to mean the ability to attract and

retain mobile factors of production (such as labour and capital) and to develop and use mobile and fixed resources efficiently.

The Commission has identified a number of key links between liveability and competitiveness (figure 1).

Figure 1 **Thinking about links between liveability and competitiveness**



- Link 1 — Liveability attributes can play an important role in the location choices of people and businesses; hence liveability can be a significant factor in attracting labour and capital resources to a location.
- Link 2 — Competitiveness can influence liveability through growth in productivity and income per capita which, in turn, can enhance aspects of liveability.
- Link 3 — There are potential tradeoffs between liveability and competitiveness. Improved competitiveness which boosts economic growth

can place strains on social cohesion and the environment, thereby adversely affecting liveability.

- Link 4 — Liveability and competitiveness are broadly related through a number of common factors (such as stability, health, education, infrastructure, the economy and the environment).

It is clear that there are multiple linkages between liveability and competitiveness. A key implication is that policies or actions that improve liveability can have beneficial impacts on competitiveness — a ‘win-win’ situation for both Victorian residents and businesses.

The Victorian Local Governance Association observed that ‘competitiveness and liveability take turns at being the drivers in the very same vehicle and this is especially pronounced in provincial areas’ (sub. 65, p. 5).

## **The drivers of liveability**

The Commission has highlighted the main drivers of liveability:

- economic strength and markets
- governments
- human rights.

The Commission suggests that the effective interaction of economic strength and markets, governments, equity and human rights, with high standards of liveability is dependent on:

- improved information provision, to allow more informed (and more efficient) decision making to occur
- best practice regulation, to ensure only appropriate and necessary government intervention in community and business activities
- governance architecture that ensures the development and implementation of planning and other policies are as well integrated as possible.

These three themes recur throughout the draft report and underpin many of the findings and recommendations.

## **Exploring elements of liveability**

The Commission has selected some areas of liveability to examine in more detail, and has had particular regard throughout the report to issues affecting the whole of Victoria, to public accountability, measurement and to the importance of strong communities. The principle of subsidiarity, namely the need for decisions to be taken as close as practicable to those affected by them, has been an important analytical factor.

## Strong communities

Community strength and its contribution to liveability attracted a great deal of comment in submissions and at roundtables. For example, the Department of Planning and Community Development (DPCD) noted that:

What makes places liveable goes beyond economic and environmental advantages. Residents identify non-tangible assets such as trust, neighbourliness, civility and a welcoming environment as things that matter. Relationships between people, the respect in which local leaders are held, how local debates are conducted all matter to people and have an impact on liveability. And people identify notions of 'fairness' and inclusiveness in the attributes they value about places. (sub. 51, p. 16)

The Commission identified a number of features of strong communities:

- community connectedness
- well managed and integrated cultural diversity
- amenity and place, including community safety
- access to services, in particular transport and communications technology.

Professor Tony Vinson referred to the impacts of local social bonds:

... we have strong factual evidence, based on a sample of more than 37,000 residents of Victoria, that areas characterised by strong connections between people, and residents' involvement with their community, are localities protected from the most harmful consequences of social conditions like unemployment, low income and limited education. (Vinson 2007, p. 3)

The Commission's analysis suggests where efforts can be focused to improve community strength and hence Victoria's liveability. The Commission has concluded that building strong communities is not a task only for government; there is a critical role for both the community sector and corporate citizens in building community strength and improving liveability.

In addition, all levels of government have a role to play. The Commission acknowledges the extensive efforts of all levels of government to improve community strength but notes the need to ensure that these initiatives are collaborative and build on the relative strengths of the state and local governments.

Given its pervasive influence on liveability, reporting on community strength could be enhanced: housing affordability was identified as one area where reporting of liveability indicators could be of particular value.

## Provincial Victoria

The terms of reference for the inquiry require the Commission in considering liveability in Victoria to ‘discuss whether there are dimensions of liveability that are different in provincial Victoria than in Melbourne’.

It is difficult to examine the liveability of provincial Victoria in isolation from metropolitan Melbourne because of the strong links and interdependencies between provincial areas and Melbourne. In this context, Trevor Budge commented:

The VCEC inquiry needs to realise that no part of the state exists in isolation from the rest and that there is a high level of interdependency when it comes to making any assessment of liveability. (sub. 10, p. 3)

The liveability of both Melbourne and provincial Victoria is enhanced by this relationship and liveability should therefore be viewed in the context of ‘one Victoria’.

However, focusing on provincial areas, it was very clear that many parts of provincial Victoria are very liveable and can be considered the ‘liveable alternative’ to Melbourne. This is reflected in the fact that many people and businesses make the choice to live in provincial areas. Data on subjective wellbeing are shown in table 2.

Table 2      **Subjective wellbeing**

	<i>Victoria average</i>	<i>Metro areas<sup>a</sup></i>	<i>Non-provincial areas<sup>b</sup></i>	<i>Provincial areas<sup>c</sup></i>	<i>Ballarat</i>	<i>Greater Bendigo</i>	<i>Greater Geelong</i>
%	76.4	75.6	75.8	78.7	76.7	78.9	77.1

**a** Metropolitan Melbourne. **b** Non-Provincial areas are defined as Metropolitan Melbourne and Ballarat, Greater Bendigo and Greater Geelong. **c** Provincial areas includes all Victoria excluding Metropolitan Melbourne, Ballarat, Greater Bendigo and Greater Geelong.

Source: McCaughey Centre 2008, p. 15.

Some of the factors which make provincial Victoria liveable, including lower land costs and housing costs, benefit both people living in those areas and businesses. Other important elements of provincial liveability are amenity factors (such as an attractive and clean environment) and lifestyle factors. Some inquiry participants’ views on the liveability of provincial Victoria are presented in box 2.

## Box 2 **Liveability in provincial Victoria**

The City of Greater Bendigo highlighted the lifestyle advantages of provincial areas as being a key element of their liveability:

Among these distinguishing attributes are significantly lower levels of traffic congestion and shorter commuting times, lower costs of living and better opportunities for work-life balance. (sub. 12, p. 3)

The City of Greater Shepparton highlighted a number of positive attributes of provincial living:

Regional centres and their surrounding rural communities are able to offer cleaner environments, less stressful living, virtually no traffic congestion, greatly reduced travel and commuting times, more convenient access to many facilities, increased family time, much less mortgage stress, a stronger sense of community and a vibrant community based lifestyle. (sub. 32, pp. 12–3)

However, there are factors which detract from the liveability of provincial Victoria, particularly access to services and infrastructure such as transport, education, health, and information and communications technology (ICT). In this context, the Commission concluded that poor access to services and infrastructure in some provincial areas is a key contributor to lower levels of liveability for residents and also adversely impacts on business performance and competitiveness. Poor infrastructure also detracts from the ability of businesses and employees to locate in provincial areas.

The Commission found that while provincial Victoria was very liveable it faced particular policy challenges relating to services, for example, for the ageing population. The attractiveness of provincial Victoria has implications for the timely provision of infrastructure and services to meet the needs of businesses and the growing population. The benefits of investing in provincial Victoria needs to take account of the relief of costs of Melbourne's growth.

Provincial Victoria is very diverse in its communities and in its liveability. A number of participants noted that statewide regulatory arrangements — such as planning regulations — could be insufficiently flexible to meet the specific needs of provincial areas.

The diversity of provincial Victoria reinforces the central role played by local governments in providing information and services required to meet the needs of local residents and businesses. Local governments play a particularly important leadership role in enhancing the liveability of their communities in provincial Victoria. The unique demands placed on them by residents, and statewide policy requirements, can impose significant resource demands.

## **Planning, urban design, and community infrastructure**

The Commission has:

- examined the efficiency advantages of good planning and community infrastructure and evaluated the economic costs of poor urban design
- reported on the planning, design and implementation of sustainable urban concepts and systems in other jurisdictions that are focused on achieving liveability goals, and commented on the potential applicability of such approaches in Victoria.

The Office of the Victorian Government Architect noted that:

... the quality of the built environment has a significant impact on the success of many community services and infrastructure, in terms of community acceptance, 'take-up' or use, in facilitating community engagement and contributing to social, ecological and economic sustainability. In addition, the quality of architecture and the public realm significantly improves or diminishes the cultural relevance, resonance and attractiveness of places for people, thereby enhancing or detracting from liveability. (sub. 53, p. 4)

### **The efficiency advantages of good planning and community infrastructure**

Land use planning determines the uses to which land is devoted and seeks to alter urban form to gain greater urban efficiency. Land use plans often seek to do this by developing compact cities through encouraging higher density.

In this context, urban efficiency is usually defined in terms of travel patterns, infrastructure and energy use, and social and environmental costs including water use, congestion costs and the costs of urban sprawl. SGS Economics and Planning Pty Ltd estimates that improvements in urban structure could increase Gross Domestic Product (GDP) by 1.27 per cent over ten years, but that with more compact cities greater economic, social and environmental challenges may arise (sub. 26).

Efficiency gains can also result from ensuring the best use of community infrastructure, the complex system of physical facilities, programs, and social networks designed to improve people's quality of life. These services, networks and physical assets work together to support the foundation of a strong community. Physical community infrastructure includes, for example, children's centres, social housing, schools, libraries, multi-use community facilities, leisure centres, bike paths/pavements and parks.

Better planning and use of community infrastructure can result in efficiency gains associated with the benefits of co-location and integration of physical infrastructure, improved environmental outcomes, and economies of scale.

Overall, it is clear that there are efficiency gains to be captured through good planning and community infrastructure.

### **The costs of poor urban design**

The Commission considered the costs of poor urban design, recognising that urban planning plays an important role in determining the capacity for urban design to influence the social, economic and environmental success of local areas.

The costs of poor urban design can be:

- economic — congestion; unhealthy lifestyles (increased health costs); funding required to rectify poorly designed areas; and a failure to capitalise on amenities delivered through good urban design
- social — social isolation; community disconnectedness; and a decline in safety and wellbeing
- environmental — the inefficient use of scarce, non-renewable resources; emissions and reduced awareness and appreciation of the natural environment.

There are wide ranging economic, social and environmental benefits and costs associated with urban design. Victoria's liveability could be enhanced through support of appropriate urban design policies.

### **Sustainable urban concepts — what can we learn from other countries?**

The Commission was asked to explore how sustainable urban concepts have been adopted internationally and identify any lessons for Victoria. Sustainable urban concepts and systems refer to urban settlements which are planned explicitly to balance social, economic and environmental goals in order to enhance liveability.

The Commission engaged Urbis Pty Ltd to provide information on four international cities: Vancouver, Liverpool, Barcelona and Dublin. The Commission found that while there are some similarities in the problems faced and in the approaches adopted there is no universally applied approach that ensures social, environmental and economic objectives are met. Each city examined has adopted slightly different approaches to address their liveability challenges — approaches that reflect the unique circumstances of those cities. Outcomes do not seem to be better than in Melbourne and Victoria. No distinctly different approaches in these four cities are producing markedly better outcomes than in Melbourne.

The Commission has drawn from the study some high level observations and insights into how Victoria's liveability could be enhanced. These include:

- collaboration with local governments and the private sector — which is important if holistic citywide development is to occur
- governance arrangements — focusing on managing the tension between the legitimate perspectives of local communities and the city or state as a whole
- annual reporting on progress
- a willingness to change and adapt.

### **How can governments help with urban design and planning?**

Good planning and urban design are central to enhancing Victoria’s liveability as they affect individuals and businesses in both Melbourne and provincial Victoria. Participants in the inquiry indicated that there was scope for improvement and emphasised that improved communication and collaboration among different tiers of government and a more strategic approach to land use could yield significant enhancements to Victoria’s liveability.

Planning issues and most aspects of broad urban design are primarily the responsibility of state and local governments with the Commonwealth Government having a more limited role. The Commission sees opportunities for improved communication between state and local governments on planning and urban design issues to improve scope for optimal liveability outcomes.

The Commission sees merit in the Department of Planning and Community Development surveying local governments to ascertain their views on how the Minister for Planning’s reasons for intervention in planning and heritage matters could better inform future handling of such matters.

There is concern with the level of integration in land use and transport planning occurring in Victoria. In seeking to improve the strategic approach to land use planning in Victoria it is important to recognise the legitimate tensions between local, citywide and state perspectives. The Planning Institute of Australia recognised such tensions and noted that:

... conflicts between varying state and local objectives ... are often experienced when considering the notion of liveability in a planning context. (sub. 21, p. 1)

In considering ways to improve strategic planning arrangements, while having regard to the needs of local, citywide and state perspectives, the Commission has suggested three approaches which could be explored to facilitate improved strategic and better integrated land use and transport policies within Victoria. These options are:

1. creating a new overarching body responsible for the strategic planning and development of the greater Melbourne area and, if successfully implemented, for Victoria.
2. retaining the current arrangements (status quo) but with some improvements

3. building on the facilitating role of a Growth Areas Authority type body, with applicability across Melbourne.

The Commission is aware of considerable interest in the first option, but is not aware of sufficient evidence to warrant the delegation of substantial planning authority to a statutory body. The Commission believes that the latter two options are worthy of further consideration, recognising that there are numerous initiatives currently in progress to improve land use planning coordination. A more strategic approach to land use planning in Victoria could be implemented to enable a better balance of local, citywide and state interests in the consideration of planning decisions affecting Victoria's liveability. The Commission seeks comment on these options.

## Transport

Transport is a key factor affecting the liveability of individuals and businesses and the issue was raised extensively in submissions and during the consultation process.

There are many pressures on the transport system in Melbourne — especially as a result of population and economic growth — resulting in concerns about congestion, safety and the availability of public transport. Some of these issues are also applicable to provincial Victoria.

Transport is an area where the Victorian Government has been very active and the Commission recognises that many projects are underway, which are intended to produce improved transport outcomes, particularly addressing issues of excessive congestion and providing for an increased demand for public transport.

Given that transport is a critical factor to liveability and competitiveness for people and businesses, the Commission considers that providing information in a more accessible manner on some of the key developments, such as congestion and public transport accessibility could help to raise awareness and assist the evaluation of progress towards meeting the government's objectives.

The Metropolitan Transport Forum argued that:

Traffic spills from arterial roads onto local roads at the expense of local access and amenity, creates noise, pollution and accidents, while exacerbating respiratory and other diseases. This all undermines the liveability of cities. There are also adverse effects in deterring street activity and social life. (sub. 49, p. 2)

Reporting on transport outcomes, especially congestion, is one area where the Commission suggests that the reporting of liveability indicators published in GVT could be supplemented.

One particular issue raised during consultations was the importance of taxis — especially for those with disabilities or poor access to other forms of transport. The regulation of the taxi industry limiting the number of service providers has been blamed by some for poor service quality and for the industry having an ‘investor’ led focus rather than a customer and service focus.

Professor John Nieuwenhuysen stated that:

... the licence price financial maintenance expense subtracts resources which would otherwise be available for investment in industry service quality and more reasonable rates for drivers. (sub. 64, p. 1)

The taxi industry has been subject to some reforms in the past regarding economic, consumer protection and safety issues in the industry. A more complete review of the industry would enable a coordinated and systematic examination. The Commission considers that the review of the taxi industry which is due in 2009 under the National Competition Principles Agreement should be required to provide an overall review of the current regulatory arrangements in the industry, including provincial taxi services.

## **Environment**

The quality of the natural environment is a major contributor to Victoria’s liveability and this view was reinforced by comments, submissions and consultations. An important consideration is that some environmental challenges, such as climate change, will impact on the liveability and competitiveness of Victoria both now and into the future.

The Commissioner for Environmental Sustainability argued:

As a component of environmental sustainability, the current and pressing issue of climate change, and our ability to build resilience for both mitigation and adaptation, is of high priority and should be recognised in the report as a central policy issue in maintaining and improving Victoria’s liveability. (sub. 43, p. iii)

The Victorian Government currently has a range of policies and agencies dealing with various environmental issues — this is testimony to the growing understanding of the importance of environmental issues (figure 2). However, there is a question as to whether the present environment institutional arrangements are the most appropriate and provide the best level of environmental administration for ensuring sustainability and liveability.

Figure 2

## Relationship between government policies affecting the environment



Source: Department of Sustainability and Environment.

There are also significant intergovernmental coordination issues relating to environmental matters. Climate change is an example of an area where local, state and Commonwealth governments are active. The Commission acknowledges efforts to ensure clearly defined policy goals and responsibilities for the different levels of government.

Environmental policies can have significant impacts on the liveability of individuals and businesses. Environmental concerns need to be included in the policy making process to ensure that the natural environment, and Victoria's liveability, are best placed for the future. Environmental Effects Statements (EES) and Regulatory Impact Statements (RIS) are two main ways that environmental concerns are brought into policy making.

The RIS process does not include environmental burden as a trigger for requiring a RIS. The Commission recommends that this be reviewed and, while there may be few occurrences, consideration be given to including an appreciable environmental burden as part of the threshold test for preparation of a RIS and consultation requirements.

Measuring and reporting environmental outcomes is an essential way of ensuring whether environmental policy is enhancing liveability.

It is the Commission's view that as knowledge and implications of environmental challenges grows so should reporting. Following the release of the State of the Environment report and the upcoming White Paper on Climate Change, reporting on environmental outcomes could be extended.

## **Making the good even better**

In examining the information available, the Commission has been conscious of the complexity and interrelationship among many of the aspects of liveability particularly in the context of 'one Victoria'.

The Commission identified a number of overarching themes which are common to many of the issues examined by the Commission during the inquiry.

- The importance of good information on factors affecting liveability to inform decision making by governments, businesses and the community.
- The importance of best practice regulation to ensure only appropriate and necessary government intervention in community and business dealings.
- Effective integration of government efforts to improve liveability, including the application of subsidiarity to decision making and making local government in Victoria a comparative advantage.

There is no doubt that Victoria is a very liveable state. The challenge is to ensure that Victoria not only maintains its current level of liveability but also takes every opportunity to further enhance its liveability. The concept of 'one Victoria', with strong interdependencies between Melbourne and provincial Victoria seems to offer a guiding philosophy.

In the draft report, the Commission has focused on providing an analytical framework for liveability within the terms of reference given to it by the government. In many respects this inquiry is more about providing insights about liveability, and connections with competitiveness, than about making specific recommendations intended to solve particular problems.

The Commission has sought to explore and understand issues raised during the public inquiry process and then focus the inquiry on those areas where it feels it can make a meaningful contribution to policy and which have not been encompassed by other reviews.

While the Commission has made a range of draft findings and recommendations intended to enhance further Victoria's liveability, there is scope in the final report to make them more specific and to extend their reach.

We have valued the input from participants and the draft provides a further opportunity for input before the Commission prepares its final report for the Victorian Government.

## **Draft recommendations and findings**

### **Chapter 2 Defining and describing liveability**

The concept of liveability is multidimensional and complex, reflecting the broad range of factors and their interactions that individuals and businesses have in mind when thinking about liveability.

(draft finding 2.1)

The Commission has developed a working definition of liveability for the purposes of this inquiry:

liveability reflects the wellbeing of a community and represents the many characteristics that make a location a place where people want to live

(draft finding 2.2)

### **Chapter 3 The drivers of liveability**

The Commission has highlighted the main drivers of liveability, namely:

- economic strength and markets
- governments
- human rights.

(draft finding 3.1)

The Commission suggests that the effective interaction of economic strength and markets, governments, equity and human rights, with high standards of liveability is dependent on:

- improved information provision, to allow more informed (and more efficient) decision making to occur
- best practice regulation, to ensure only appropriate and necessary government interventions in community and business activities
- governance architecture that ensures the development and implementation of planning and other policies are as well integrated as possible.

(draft finding 3.2)

The principle of subsidiarity, whereby decisions are taken as close as practicable to those affected, can facilitate consideration by markets and governments of the views of their customers and communities, and can promote engagement, a key component of liveability.

(draft finding 3.3)

## **Chapter 4 Measuring liveability**

The Commission found that:

- composite measures of liveability, like the EIU index, are of limited use for Victorians in assessing liveability and for informing policy decisions
- although there is a range of indicators available for Victorians to draw on, they are not assembled in a comprehensive fashion to enable easy dissemination of the information
- a suite of indicators promotes specific policy outcomes, and provides information to assess the performance of government programs and policy, and assists business in decision making
- the availability of data on liveability indicators can inform improved decision making by state and local governments.

(draft finding 4.1)

The Commission proposes that:

- the government publish annually a suite of liveability indicators based on GVT, with some additional indicators, relating initially to transport, community strength, regulation and the environment.

(draft recommendation 4.1)

## **Chapter 5 Exploring links between liveability and competitiveness**

The Commission has identified a number of key links between liveability and competitiveness.

- Liveability plays an important but varying role in location decision making for people and businesses. Liveability attributes can be a significant factor in attracting and retaining labour and capital

resources in Victoria thereby enhancing competitiveness. The provision of specific information about the business environment and liveability in Victoria that is tailored to the individual needs of international investors can facilitate worthwhile investment.

- Competitiveness can influence liveability. Improvements in competitiveness increase productivity and income per capita which, in turn, enhance aspects of liveability.
- While improvements in competitiveness will often boost liveability and vice versa, there are sometimes potential tradeoffs. Enhanced liveability can add to business costs and diminish competitiveness. Conversely, improved competitiveness which boosts economic growth can place strains on social cohesion and the environment. This, in turn, can have adverse impacts on liveability.
- An examination of well-established measures of liveability and competitiveness shows that these measures are broadly related through a number of common factors such as stability, health, education, infrastructure, the economy and the environment. Policies or actions that focus on common factors are likely to influence both liveability and competitiveness.

(draft finding 5.1)

## **Chapter 6 Liveability and strong communities**

The features of strong communities that are prominent in promoting liveability are:

- community connectedness — there are particular challenges in building community connectedness in new suburbs and greenfields developments
- well managed and integrated cultural diversity
- amenity and place, including community safety
- access to services, in particular transport and information and communication technology.

(draft finding 6.1)

In further pursuing the objective of strengthening communities, the government should:

- expand the GVT reports to include information relevant to community strengthening, for example, by further enhancing measures of housing and rental affordability
- ask the State Services Authority to assess the use of service charters and other approaches to improving service standards in government agencies.

(draft recommendation 6.1)

## **Chapter 7 Liveability in provincial Victoria**

The Commission finds that:

- many parts of provincial Victoria are very liveable and can be considered the ‘liveable alternative’ to Melbourne
- provincial Victoria faces particular policy challenges, such as services for the ageing population
- the liveability of provincial areas has encouraged people and businesses to locate in these areas. This has implications for the timely provision of infrastructure and services to meet the needs of individuals and businesses and the likely movement of some employment to provincial Victoria.

(draft finding 7.1)

The Commission finds that improved transport, the availability of emerging communications technology and other services such as health and education will help to consolidate and enhance the attractiveness of provincial Victoria and lead to more effective integration with Melbourne.

(draft finding 7.2)

The Commission finds that local governments in provincial areas play a key role in enhancing the liveability of those areas. However, the unique demands placed on them by residents, and statewide policy requirements, can impose significant resource demands.

(draft finding 7.3)

The Commission finds that an examination of the liveability of provincial Victoria must acknowledge the strong links and interdependencies between provincial areas and Melbourne. The liveability of both is enhanced by this relationship and liveability should be viewed in the context of ‘one Victoria’.

(draft finding 7.4)

## **Chapter 8 Urban planning and design, and community infrastructure**

There are wide ranging economic, social and environmental benefits and costs associated with urban design. Due to the complexity of these issues the Commission concludes that quantification of the costs of poor urban design is difficult to determine but qualitative information leaves no doubt that Victoria’s liveability could be enhanced through the support of appropriate urban design policies.

(draft finding 8.1)

There are efficiency gains to be captured through good planning and community infrastructure.

(draft finding 8.2)

In examining the planning, design and implementation of sustainable urban concepts and systems in other jurisdictions — Vancouver (Canada), Liverpool (United Kingdom), Barcelona (Spain) and Dublin (Ireland) — the Commission finds that international experience of planning, design and implementing sustainable urban concepts to achieve liveability goals do not provide markedly better models for enhancing liveability, but can provide insights into how Victoria’s liveability can be enhanced. However, as the characteristics of each city are different each approach taken to address liveability concerns is different. That said, some broad lessons that may be of use in Victoria relate to collaborative strategic planning, governance arrangements and adaptation in the face of challenges.

(draft finding 8.3)

Encouraging all tiers of government to take account of good urban design principles in planning decision making processes would be beneficial. As an example, requesting the Commonwealth Government to respond to the

report on the inquiry into sustainable cities is one approach through which this could be facilitated.

(draft finding 8.4)

Liveability could also be enhanced through the continued development of performance indicators for the planning system. There would also be merit in the Department of Planning and Community Development developing a survey to assess the extent to which local governments find information provided by the Minister on intervention in planning and heritage matters useful to future decision making.

(draft finding 8.5)

While recognising there are numerous initiatives currently in progress to improve land use planning co-ordination, the Commission has identified a number of mechanisms through which a more strategic approach to land use planning in Victoria could be implemented to enhance Victoria's liveability. The Commission considers that improving current arrangements (Option 2) and building on the Growth Areas Authority (Option 3) merit careful consideration.

(draft finding 8.6)

The Commission notes that statutory limitations on cost recovery can unnecessarily diminish the revenue raising capacity of local governments.

(draft finding 8.7)

## **Chapter 9 Transport issues**

The Commission finds that reporting on:

- the actions taken on VCEC's options to remove incentives to use cars for commuting, and
- the success of programs to provide incentives to use public transport for commuting

would contribute to broader monitoring of transport objectives.

(draft finding 9.1)

The Commission finds that without a very substantial increase in public transport investment (and particularly in bus services, which do not have the same upfront fixed costs and can be more readily deployed in outer Melbourne and provincial centres), public transport's modal share is unlikely to increase in the foreseeable future.

(draft finding 9.2)

The Commission recommends that to facilitate the assessment of liveability impacts, the *Growing Victoria Together* framework be used to expand reporting on the outcomes of key measures to reduce congestion, including those to increase public transport usage, and on congestion itself. The relevant agencies would need to investigate the best way to provide coherent, annual data on these issues.

(draft recommendation 9.1)

The Commission finds that flexible transport modes, including taxis, can play an important role in meeting the increasing complexity of transport needs. To facilitate the effective operation of these services, the Commission considers that the next review of the taxi industry should consider options for improving service quality and promoting innovation in the industry.

(draft finding 9.3)

The Commission recommends that the next review of restrictions on competition in the taxi and hire car industry, which should occur according to the Competition Policy Agreement, be broadened to include:

- options for improving service quality and promoting innovation
- all forms of small commercial passenger vehicles services
- barriers to the development of new allocation networks
- barriers to greater regional competition and service innovation.

(draft recommendation 9.2)

## **Chapter 10 Environmental quality**

There is a question as to whether the present environment institutional arrangements are the most appropriate and provide the best level of environmental administration for ensuring sustainability and liveability.

(draft finding 10.1)

The Commission acknowledges the positive steps to ensuring clearly defined goals and policy responsibilities between Commonwealth, State and Local Governments in addressing climate change which constitutes a recognised threat to liveability. In doing so, it is also important to assess the relative cost effectiveness of the various policy options. Communication between all levels of government would usefully extend to cost/benefit analysis of the impacts of various policies on liveability.

(draft finding 10.2)

The Commission considers that there is a case for reconsidering the SARC review recommendation that the Subordinate Legislation Act be amended to include appreciable environmental burden as part of the threshold test for preparation of a Regulatory Impact Statement and consultation requirements.

(draft recommendation 10.1)

The Commission considers that as both knowledge and the implications of environmental challenges grow, so should reporting. Following the release of the State of the Environment report and the White Paper on Climate Change, reporting on environmental outcomes could be expanded to allow assessment of progress of policies in achieving outcomes.

(draft finding 10.3)

## **Specific requests for further information**

### **Chapter 6**

*The Commission seeks examples of the benefits of information and communications technology in strengthening communities and in enhancing liveability throughout Victoria. (Information request)*

### **Chapter 8**

*The Commission seeks further examples of the economic, social, and environmental costs and benefits of urban design in metropolitan and provincial Victoria. (Information request.)*

*The Commission seeks further examples, if possible with supporting quantitative information, of the possible efficiency gains and other advantages that can be achieved through good planning and the provision of community infrastructure in metropolitan and provincial Victoria. (Information request.)*

*The Commission seeks further information on the proposed models of reform and seeks comments on the need for reform in land use planning and the costs and benefits associated with the options suggested. (Information request.)*

### **Chapter 10**

*The Commission would like to hear about the capacity of local governments to address environmental concerns that relate to liveability. (Information request)*



# 1 Introduction

In this chapter we provide the background to the inquiry and outline the inquiry process and approach taken by the Victorian Competition and Efficiency Commission (the Commission) in preparing this report. It also outlines the structure of the report.

## 1.1 Background to the inquiry

The terms of reference for the inquiry note that ‘Victoria is already one of the most liveable locations in the world, with international surveys ranking Melbourne among the world’s top cities in terms of offering the best quality of life’.

The challenge for the community and governments is to ensure that Victoria preserves and seeks to improve liveability. Victoria is not alone in this; other cities and regions around the world are also trying to improve their liveability — not only because liveability is important to the wellbeing of residents but because of the potential economic benefits which may flow from liveable locations. In particular, the ability to attract and retain skilled workers is influenced, in part, by perceptions of liveability.

The Victorian Government has emphasised its commitment to enhancing Victoria’s liveability. In a 2007 speech to the Institute of Public Administration Australia, the Premier outlined his government’s agenda, which included the commitment to ‘focus more on liveability — which is one of Victoria’s competitive advantages’ (Brumby 2007, p. 3).

### 1.1.1 Defining liveability

The terms of reference for the inquiry do not define liveability and there is no single agreed definition of liveability. The term means different things to different people and an individual’s view of what constitutes liveability may change depending on their age and individual circumstances.

International measures of liveability, such as that published by the Economist Intelligence Unit (EIU), provide some insights into the factors which impact on liveability. In addition, many inquiry participants provided information on how they define liveability and the elements that make a place liveable. These are discussed in chapter 2.

### 1.1.2 The policy context

The Victorian Government has already introduced a number of overarching policy initiatives which impact on liveability. The terms of reference direct the Commission to make findings within the current policy framework and refer in particular to three major policy initiatives:

- *Melbourne 2030* — a strategic plan developed to manage Melbourne’s projected population growth of over one million people by 2030, in addition to improving the quality of life for existing residents. The terms of reference indicate that a critique of the *Melbourne 2030* strategy is outside the scope of the inquiry; however, *Melbourne 2030* does provide the broad framework for many other matters central to the inquiry.
- *Growing Victoria Together* — developed in 2001 and updated in 2005, *Growing Victoria Together* is a medium term vision to build a stronger, more caring, innovative state. It contains a number of elements which are intended to promote a state with:
  - a strong and innovative economy
  - quality health and education sectors
  - caring and inclusive communities
  - a healthy environment
  - open and accountable government.
- *Meeting Our Transport Challenges* — outlines an action plan for Victoria’s transport system. Elements include:
  - expanding and maintaining connections between regional centres
  - improving cross-town connections in inner and outer Melbourne
  - addressing congestion.

Many other policies and initiatives of the Victorian Government impact on liveability and the Commission has tried to take these into account also. The government’s setting of goals and priorities in *Growing Victoria Together*, and the associated annual progress reports, provide a helpful framework for considering the liveability of Victoria.

### 1.1.3 Victoria’s growth and liveability

The challenge for the community and governments is to ensure that Victoria remains a liveable state in the future. An important part of the background to this inquiry is population and demographic change. A major challenge for Victoria, particularly in Melbourne, and some areas of provincial Victoria, is population growth. The increasing population involves challenges, such as associated pressures on services, congestion and housing affordability, and opportunities for continued economic growth and enhanced liveability.

The Department of Infrastructure/Department of Transport (DOI/DOT) notes that Victoria has experienced almost 7 per cent growth in population between 2001 and 2006 (sub. 52). DOI/DOT also notes that:

Metropolitan Melbourne's population is growing at a much faster rate than the rest of Victoria with an average increase of more than 1,000 people per week. This is supported primarily by an unexpected increase in overseas migration as well as a slight rise in the birth rate. (sub. 52, p. 6)

In some areas the issue is one of population decline or ageing. Many provincial areas are facing problems of an ageing population. Wellington Shire Council notes that:

Much of rural Victoria is experiencing the 'Triple whammy of ageing', with the general ageing of the population, young people leaving and older people coming to settle in the region (including 'sea-change' and 'tree-change' retirees). (sub. 24, p. 3)

Strong population growth is, in part, a reflection of Victoria's economic growth and current high levels of liveability. The 2008-09 Victorian Budget forecasts real Gross State Product growth of 3.25 per cent and employment growth of 2.75 per cent in 2007-08 (Government of Victoria 2008d). But growth also provides challenges and opportunities for the state's liveability in the future, and is central to the inquiry's considerations.

## **1.2 Scope of the inquiry**

The terms of reference require the Commission to inquire into issues related to enhancing the liveability of Victoria. In particular, the Commission is directed to:

1. explore, using well-established measures of liveability (such as those adopted by the EIU in its international surveys of liveable cities), the link between liveability and enhancing Victoria's competitiveness
2. examine the efficiency advantages of good planning and community infrastructure, and evaluate the economic costs of poor urban design
3. discuss whether there are dimensions of liveability that are different in provincial Victoria than in Melbourne
4. report on the planning, design and implementation of sustainable urban concepts and systems in other jurisdictions — both in Australia and internationally — that are focused on achieving liveability goals, and comment on the potential applicability of such approaches in Victoria
5. identify opportunities for government action to enhance the liveability of Victoria — while taking into account sustainability issues — and suggest ways of overcoming any challenges faced in realising these opportunities.

Terms 1–4 are specific directions which are addressed in the report. Term 5 potentially encompasses all areas of possible government action and public policy; in addressing this term the Commission has been mainly guided by matters brought to its attention through its public consultation and research processes.

The Commission has sought to explore and understand issues raised during the public inquiry process and then focus the inquiry on those areas where it feels it can make a meaningful contribution to policy within the time and resources available. The process used to focus the inquiry is discussed in chapter 2.

In addition, in considering issues raised during the inquiry the Commission has also been guided by the Order in Council which established the Commission, section 3(5) of which requires the Commission to operate under the following principles:

- (a) the provision of analysis and advice that is independent and rigorous
- (b) an overarching concern for the wellbeing of the community as a whole, rather than the interests of particular industries or groups.

Throughout its consideration of liveability the Commission has been conscious of the need to focus on Victoria as a whole.

### **1.3 Conduct of the inquiry**

The Commission advertised the inquiry in the press and by circular to those who, according to a preliminary analysis, would be interested parties. The Commission released an issues paper and invited any interested party to make a submission to the inquiry. The Commission also wrote to a number of individuals and government departments and agencies to seek their input. The terms of reference and inquiry particulars were also listed on the Commission's website ([www.vcec.vic.gov.au](http://www.vcec.vic.gov.au)).

The Commission received a total of 65 submissions from a range of interested parties, including government departments, local governments, community organisations, businesses, academics and private individuals. In addition, the Commission held discussions with a range of parties to identify and assess the range of issues relevant to this inquiry. As part of the consultation process the Commission also held six roundtables on specific topics (including two broader roundtables in provincial Victoria), for which discussion papers were circulated prior to the meetings. The Commission also engaged three consultancies to assist with particular aspects of the inquiry. Appendix A contains a list of those with whom the Commission consulted and the consultancies.

The following consultancy reports are available on the Commission’s website:

- A paper discussing sustainable urban concepts focusing on four international cities (Vancouver, Liverpool, Barcelona and Dublin) prepared by Urbis Pty Ltd.
- The findings of two focus groups examining the factors attracting skilled and value adding individuals to Victoria, conducted and prepared by the Allen Consulting Group.
- A report on ‘Using the Community Indicators Victoria survey to assess liveability in Victoria’ prepared by the McCaughey Centre at the University of Melbourne.

During the inquiry, the Commission also undertook extensive desk-based research drawing on published reports and papers, academic studies and web-based information sources. In addition, the Commission took account of the *Charter of Human Rights and Responsibilities Act 2006* (Vic.) and considers that this draft report is consistent with the human rights set out in the Charter.

## **1.4 Report structure**

The draft report is divided into two major parts. Part A provides much of the background and scene-setting for the inquiry and addresses a number of broader questions raised in the terms of reference. Part B provides a more detailed examination of specific issues on which the Commission has, at this stage, focused the inquiry.

In addressing the requirement to ‘identify opportunities for government action to enhance the liveability of Victoria — while taking into account sustainability issues — and suggest ways of overcoming any challenges faced in realising these opportunities’, the Commission has:

- made draft findings and recommendations
- in other cases, where the evidence is less clear, options or alternatives are presented for comment
- invited inquiry participants to identify sources of additional information in some cases.

Part A of the report comprises the following chapters:

- defining and describing liveability (chapter 2)
- the drivers of liveability (chapter 3)
- measuring liveability (chapter 4)
- liveability and competitiveness (chapter 5)
- liveability and strong communities (chapter 6).

Part B of the report consists of chapters assessing:

- provincial Victoria (chapter 7)
- urban planning and design, and community infrastructure (chapter 8)
- transport (chapter 9)
- environmental issues (chapter 10).

The draft report is drawn together in chapter 11, which highlights a number of common themes which recur throughout the report, and summarises the Commission's response to the terms of reference.

Supporting appendices provide:

- information on parties consulted during the course of the inquiry via meetings, roundtable discussions, submissions and public hearings
- information on liveability and attracting labour
- information on housing affordability and accessibility
- information on how sustainable urban concepts have been adopted in other jurisdictions
- information on taxi regulation.

## **2 Defining and describing liveability**

### **2.1 Introduction**

Liveability is a term used to refer to the wellbeing enjoyed by individuals and communities. There is no established uniform definition of liveability. Therefore, for the purposes of this inquiry, liveability is broadly defined as comprising the many characteristics that make a location a place where people want to live.

This chapter discusses:

- how liveability has been described by inquiry participants and how the Victorian Competition and Efficiency Commission (the Commission) has interpreted the term liveability for the purposes of this inquiry (section 2.2)
- the process applied to this working definition to decide which issues to select for examination in this report (section 2.3).

### **2.2 Defining liveability**

Liveability in its broadest sense encompasses the many characteristics that make a location a place where people want to live. These characteristics cover the essentials of living as well as preferences. They also differ between individuals and through the stages of life of any specific individual — for example, many of the characteristics that make a place liveable are likely to vary between a young student and a retiree. The City of Boroondara noted:

... it is important that these basic attributes [that provide for liveability] are available to individuals across their ‘lifespan’ regardless of location. (sub. 48, p. 4)

The nature of liveability is also likely to differ between locations. The characteristics which make a place liveable are likely to differ between provincial and non-provincial Victoria and also within these areas. For example the City of Greater Bendigo stated ‘there is a clear distinction to be made between liveability in metropolitan areas and provincial cities/small towns’ (sub. 12, p. 2). Similarly the Department of Infrastructure/Department of Transport (DOI/DOT) noted:

The definition of liveability can vary considerably depending on people’s perspective, location, age, socio-economic status and cultural background. However there are a few key concepts underpinning liveability which cross demographic divides. Principal among these is sustainability which encompasses prosperity, social and environmental capital, social inclusion and access to services and employment. (sub. 52, p. 3)

The City of Melbourne also noted that liveability can be defined from different perspectives:

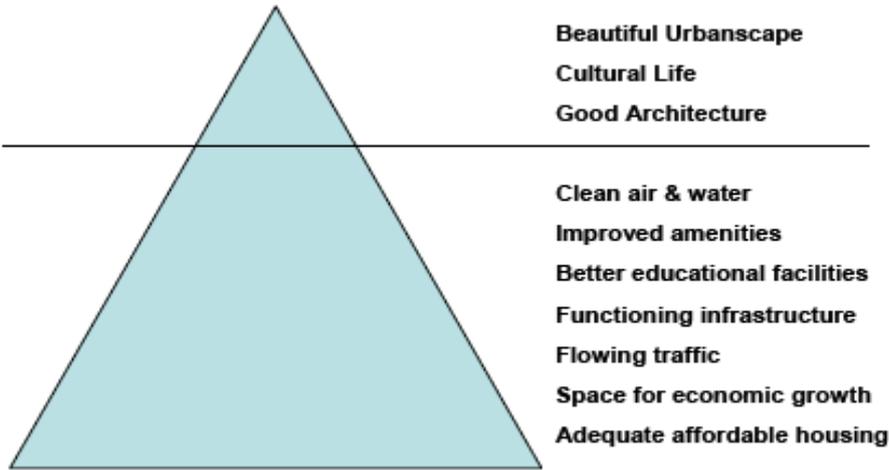
From an individual perspective, liveability can be considered as the extent to which an individual or group enjoys the quality of life afforded by the place in which they live.

From a city perspective, liveability can be considered as the extent to which a city offers the opportunities for individuals or group to enjoy its attributes, whether or not the individuals avail themselves of these opportunities. (sub. 41, p. 1)

The Department of Planning and Community Development (DPCD) noted 'liveability is experienced differently by different population groups' (sub. 51, p. 3) and that 'liveability varies over time' (sub. 51, p. 4).

An approach developed in Singapore showed that many of the characteristics that make a city liveable are effectively 'below the water line' in the aspiration iceberg (figure 2.1). The only parts of the iceberg that are readily visible are good architecture, cultural life and the urban environment.

Figure 2.1 **The aspiration iceberg**



Source: City of Melbourne, sub. 41, p. 3.

### 2.2.1 Participants' views on liveability

The diversity of characteristics that make a place liveable has translated to a range of possible definitions of liveability being developed in government and academia. The Premier of Victoria described liveability:

... It is a mix. It's about good economy, but more than that, it's about the sort of values that make up a society — values like fairness, a fair go, traditional values, caring, strong communities. And it's about opportunity — making sure wherever you come from, whatever your family background, you've got the opportunity to go on and do well in life. (Austin 2007)

The diversity of characteristics is also evident in the numerous definitions of liveability that have been provided in submissions to this inquiry. Ron Brons, for example, suggested that:

... the degree of 'liveability' of a place (e.g. Melbourne), as experienced on a personal level, is the product of two main factors:

- the degree to which that place meets a person's positive needs.
- the degree to which stress is absent from the person in that place.

I believe a place with a high level of 'liveability' for a particular person would cause that person to experience a high level of wellbeing. (sub. 1, p. 1)

SGS Economics and Planning similarly defined liveability 'in terms of how well a city or region works' and noted that liveability:

... relates to efficiency and comfort in getting to work and fulfilling other transport needs. It also relates to air quality, water quality, conservation of biodiversity, housing accessibility, cultural vitality and tolerance and the adequacy of recreational resources, including open space.

Liveability in this sense has much to do with the spatial organisation of settlement and the sufficiency of infrastructure. Clearly some places 'work better' than others. (sub. 26, p. 1)

Hobsons Bay City Council argued that any definition of liveability should include the interaction between social, economic and environmental factors (sub. 13). Similarly, the Bayside City Council argued that sustainability was a key component of liveability:

... it is not enough to pursue liveability in its own right. It is also essential to ensure that this liveability is sustainable in economic, social and environmental terms. If not sustainable, then the ability to maintain liveability into the future would be compromised. (sub. 15, p. 3)

The Public Transport Users Association argued:

Any definition of liveability must also explicitly recognise the fundamental requirement to live within ecological limits otherwise the ability of a location to support life of any quality will be fatally undermined. (sub. 45, p. 1)

Most participants asserted liveability includes community wellbeing, for example, the Ethnic Communities' Council of Victoria stated that any definition of

liveability should include the wellbeing of individuals and communities (sub 20, p. 2). Similarly, VicHealth argued that:

... liveability becomes an outcome for communities where wellbeing is defined by high levels of feeling safe combined with high levels of participation and inclusion. The economic and social life of the community is intimately linked to the environment that is built to achieve definite cultural and social goals. (sub. 36, p. 3)

The Victorian Council of Social Service argued that liveability can be defined as ‘the degree to which a community’s physical and social environment equitably and sustainably supports the wellbeing of its members’ (sub. 46, p. 4). Berry Street stated:

For a definition of liveability to be meaningful to the whole community the definition needs to be expanded to include measures of social cohesion, participation, access to services and amenities and quality of life and especially social inclusion. (sub. 35, p. 2)

The notion of a strong community being an integral part of liveability was also highlighted in the roundtables held by the Commission. This issue of strong communities is developed in chapter 6.

A number of participants had different perspectives of what was important to Victoria’s liveability. For example:

- the Institute of Public Works Engineering Australia highlighted the importance of infrastructure to liveability noting ‘liveability in Victoria has many facets, most of which are supported and underpinned by quality infrastructure’ (sub. 27, p. 1)
- business participants in focus groups held by the Allen Consulting Group argued ‘the broad area of transport as being of fundamental importance’ (ACG 2008, p. 13)
- the Master Builders Association argued ‘strong economic management is an essential ingredient for delivering a competitive and liveable Victoria’ (sub. 40, p. 4)
- Environment Victoria stated ‘environmental health and sustainability is the backbone of a liveable society’ (sub. 19, p. 1)
- the Municipal Association of Victoria observed access to quality infrastructure, particularly information and communications technology, was an important component of liveability (sub. 22, p. 21)
- many participants noted climate change was a threat to liveability with DPCD noting ‘liveability is influenced by environmental health and climate change’ (sub. 51, p. 4).

## 2.2.2 The Commission's view on liveability

The Commission, in examining definitions of liveability, has identified a number of common elements and developed a working definition of liveability that it considers encapsulates in broad terms the key issues identified by consultation:

'Liveability reflects the wellbeing of a community and comprises the many characteristics that make a location a place where people want to live.'

The Commission has formed the view that common elements of a liveable place include:

- community strength — diversity, mutual respect, cultural vitality and social inclusion, including the opportunity for all to participate in society in a range of relationships to gain a sense of belonging, fulfilment and wellbeing
- economic strength — efficient markets and legislative framework that promote and encourage competition, economic prosperity and employment opportunities, and promote the attraction and retention of competitive skills
- built infrastructure (such as hospitals, education facilities, leisure facilities, libraries, housing, drainage and telecommunications and transport networks) that is adequately provided and maintained
- social infrastructure (such as community organisations, clubs, support services, art and culture) that assist people to relate to others, work together, and achieve their full potential
- amenity and place — urban planning that meets local needs balanced with broader community needs, including safety, convenience, aesthetics and services
- environment — sustainable use of resources (including land, water, biodiversity) to ensure a highly liveable environment for current and future generations
- citizenship — a general commitment by individuals and organisations (public and private) to contributing to community wellbeing, both as individual citizens and corporate citizens
- equity and human rights — including equality before the law, privacy, property rights, freedom from discrimination, freedom of expression and association, and due process
- participation — public and private governance arrangements that allow people to participate in decisions that affect them, such decisions being taken as close as practicable to those affected (subsidiarity)
- leadership and good governance — elected officials provide appropriate leadership on behalf of communities, to develop visions and priorities and ensure appropriate infrastructure and services to meet community needs

- information — adequate information to maximise choice and minimise consumer detriment, and ensure transparency and accountability
- transport — mobility of population and efficient distribution of goods facilitated by flexible transport choices that are environmentally sustainable
- innovation — continuous improvement in democratic, economic, social and environmental practices, including through the adoption of new technology.

Places which embody these characteristics would be generally seen by Victorians to be liveable.

## 2.3 Focussing the report

The liveability definition includes a vast range of issues that could be examined in this inquiry, in responding to the terms of reference which require the Commission to identify opportunities for government action to enhance the liveability of Victoria.

The terms of reference directed the Commission to ‘explore, using well-established measures of liveability, the link between liveability and enhancing Victoria’s competitiveness’. Measures of liveability are discussed in chapter 4 and the link with competitiveness is discussed in chapter 5.

The discussion of strong communities in chapter 6 reflects the importance of this issue to Victoria’s liveability. Many participants emphasised the importance of community to liveability, with the City of Melbourne noting that liveability can be enhanced by ‘established and multifunctional networks that foster social trust and harmony’ (sub. 40, p. 5).

The terms of reference also directed the Commission to ‘discuss whether there are dimensions of liveability that are different in provincial Victoria than in Melbourne’. The Commission has focused on this in chapter 7.

The terms of reference stated specifically that the Commission is to ‘examine the efficiency advantages of good planning and community infrastructure, and evaluate the economic costs of poor urban design’. The Commission has discussed ‘urban planning and design, community infrastructure’ (chapter 8) and ‘transport’ (chapter 9).

The discussion in chapter 10 on the quality of the natural environment develops issues relating to the interconnection between sustainability and liveability raised in the terms of reference.

The Commission considered a number of factors in focussing its response to the terms of reference and considering the matters raised in the public consultation process and submissions. The Commission considered what issues or aspects of liveability are important to Victorians, where the Commission could add value,

whether the government was able to influence this aspect of liveability and whether the issue had been subjected to recent reviews or initiatives.

The Commission has also been mindful of the broader consequences that might be associated with its recommendations, including the effects on other government objectives and distributional effects. The Commission has recognised that many of the matters addressed are too complex to allow full examination within the resources of this very broad inquiry and the Commission has been cautious in drawing conclusions on such matters.

The Commission has adopted a holistic approach in considering liveability across Victoria, having regard to the interdependence of provincial and metropolitan areas.

## **2.4 Summing up**

**The concept of liveability is multidimensional and complex, reflecting the broad range of factors and their interactions that individuals and businesses have in mind when thinking about liveability (draft finding 2.1).**

**The Commission has developed a working definition of liveability for the purposes of this inquiry:**

**liveability reflects the wellbeing of a community and represents the many characteristics that make a location a place where people want to live**

**(draft finding 2.2)**

and has identified a range of elements that are common to liveable places.

The depth and breadth of the issues the Commission is examining has been determined by the terms of reference and the focus of the inquiry has been refined by the matters brought to the Commission's attention in submissions and consultations informed further by research and by an assessment of the potential to add value.



## **3 The drivers of liveability**

### **3.1 Introduction**

This chapter describes the broad contexts in which the Victorian Competition and Efficiency Commission (the Commission) examined liveability. In particular, the Commission has examined liveability in the contexts of:

- economic strength and markets (section 3.2)
- governments (section 3.3)
- human rights (section 3.4)

which can be seen as major drivers of liveability.

This chapter also sets the framework through which the Commission has examined issues it has identified and aims to provide insight into how it has developed its views on enhancing liveability.

Liveability is a complex and evolving concept. Not only do the characteristics that make a place more or less liveable differ for each person, community and business, but these characteristics also change over time. The characteristics of liveability the Commission has identified as important for Victoria are detailed in chapter 2.

All government initiatives and public policy initiatives can affect Victoria's liveability but some have a major influence on how communities and businesses succeed or fail. For example, the Victorian Government makes a significant contribution to liveability through its delivery of services such as health, education, public transport and safety.

Initiatives that influence liveability can involve long lead times. Dr Carolyn Whitzman recognised this when she noted 'results of initiatives dealing with entrenched and emergent social and economic issues may only be apparent in a decade or more' (sub. 9, p. 2). The Municipal Association of Victoria (MAV) also recognised the long time frames associated with liveability and noted:

Liveability is not just about assessing current conditions, but must look at whether a place has the capacity to meet the changing needs of the community over time and not disadvantage future generations. (sub. 22, p. 15)

### **3.2 The role of economic strength and markets in enhancing liveability**

Australia, including Victoria, has enjoyed an extended period of economic development, with economic growth experienced for over 17 years. There is widespread agreement that economic reforms such as financial market deregulation,

tariff reform and national competition policy have contributed to this growth and the consequent improvement in living standards (and, as a result, liveability). A strong economy, employment and associated income are foundations of liveability. They provide the means for the purchase of goods and services.

Well functioning (efficient) markets are a powerful tool by which people and businesses can pursue their preferences and enhance their liveability. The Land Owners Rights Association Inc noted that liveability ‘grows from product development which is rewarded by the market place’ (sub. 6, p. 5). Markets generate information and it is the continuous disclosure of information that allows people and businesses to apply their judgement and make informed decisions such as determining what goods and/or services to purchase or determining if they should invest in new products or manufacturing techniques (innovation).

Commercial incentives can also be harnessed to achieve public policy objectives in a least cost way. For example, businesses may bid to provide public transport, low cost rental accommodation or employment services for the least government subsidy. The Victorian Council of Social Service (VCOSS) recognised the usefulness of the market in addressing disadvantages (for example, access to affordable housing) and suggested the market can be involved through the provision of ‘incentives for private investment in affordable housing’ (sub. 46, p. 16). The effectiveness of the market to address disadvantage was, however, questioned by the St Vincent de Paul Society, which noted:

Many of the issues of exclusion ... have become more prevalent as a result of the broad economic reforms for the past 15 years. This has resulted as a result of activities such as outsourcing, competitive tendering and the privatization of many traditional Government delivered services and other Not for Profit services. (sub. 55, p. 2)

Market efficiency is largely determined by the bargaining process and well defined property rights.<sup>1</sup> If the bargaining process occurs in the absence of good information, is costly to find, has large transactions costs or property rights are unclear, market efficiency is reduced and the scope for increased production, economic growth and enhancement in liveability is reduced.

Markets are, of course, not the only mechanism through which people seek to improve their liveability. People conduct many aspects of their lives — selecting marriage partners, making friends, fulfilling their spiritual needs — outside the realm usually associated with markets. Nevertheless, markets can make a significant contribution to liveability and economic welfare, and that contribution is likely to be larger the more efficiently the market operates.

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<sup>1</sup> If property rights are not enforced, the incentive to produce goods and services is undermined. If people can easily steal the production of others, then time, energy and resources are devoted not to production but to protecting possessions (McTaggart et al 2003, p. 25).

### 3.3 The role of government in enhancing liveability

Markets operate within an institutional framework that is largely set by government. This framework, as far as possible, should not hinder a person's and/or a business' ability to make choices which best suit them, provided of course, they respect the rights and interests of others. At the broadest level, the Commission considers that individuals (and businesses) are best placed to make choices which enhance their own wellbeing (and profitability). Joseph Stiglitz, a recipient of the Nobel Prize in Economics in 2001, expressed similar views when he noted that the market does not always guide an economy to the best outcomes and that governments have an important role:

... there are many problems with which the market does not deal adequately. Today, among American economists, the dominant view is that *limited* government intervention could alleviate (but not solve) the worst problems: the government should take an active role in maintaining full employment and alleviating the worst aspects of poverty, but private enterprise should play the central role in the economy. (Stiglitz 1988, p. 8)

Governments can support a person's or a business' ability to make choices which best suit them by ensuring the regulatory, institutional and legal framework is receptive to the demands of its citizens, and has the flexibility to respond to changing community aspirations and needs. Governments also need to provide public goods that private firms may not supply, and may also need to intervene when markets fail.<sup>2,3</sup> Where regulatory intervention is required it should be based on best practice principles (box 3.1).

Some of the market impediments the government may seek to address to enhance liveability include:

- externalities — 'spillover' effects that are not direct results of a market transaction or bargain between the parties
- insufficient or inadequate information — consumers may have inadequate access to the information required to make informed decisions
- the existence of substantial market power — which may arise from uncompetitive market structures or from anti-competitive conduct.

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<sup>2</sup> A public good is a good or service that is consumed by everyone, even if they do not pay for it. Competitive markets tend to produce too small a quantity of public goods because of the 'free rider problem'.

<sup>3</sup> Market failures arise for a number of reasons, including the presence of public goods (such as defence), spillover effects from private decision makers (externalities, such as pollution) and the presence of uncompetitive markets, such as natural monopolies.

### Box 3.1 **What is best practice regulation?**

- Regulations should be understandable and introduced only after proper consultation
- Regulatory effort should be the minimum necessary given the scale of the problem
- Regulations should not be unduly prescriptive
- Regulations and their administration should be consistent with other regulations
- Regulations should be enforceable
- There should be processes for the continual improvement of regulation
- Regulators should be accountable

Sources: Argy & Johnston 2003, Banks 2000, Better Regulation Task Force 2003, OECD 1995, ORR 1996.

The rationale for government interventions is not, however, limited to addressing market imperfection, there is also a role for government in addressing liveability issues such as equity and other social objectives. For example, Arts Victoria suggested that:

Governments intervene in the market for arts and cultural goods and services for sound economic and social equity reasons. The rationales for these interventions include the characteristics which the arts and culture display as both public goods and merit goods and in order to increase access on social equity grounds. (sub. 37, p. 1)

The Ethnic Communities' Council of Victoria also suggested a reasonable social objective is ensuring 'access to adequate services' for those 'who are disadvantaged such as those suffering from disabilities and those from culturally and linguistically diverse backgrounds' (sub. 20, p. 1).

The Department of Planning and Community Development noted the Victorian Government has numerous policies that articulate equity and social goals, including *A Fairer Victoria* and *Growing Victoria Together* (sub. 51, p. 9).

Where spending, taxing or regulation is required to achieve equity and social goals, there is also a need to ensure they are as efficient as possible. For example, regulation should meet best practice principles (box 3.1) and regulatory architecture and governance arrangements need to be effective. Poorly designed interventions generate distortions in an economy and need to be minimised if liveability is to be enhanced. For example, poorly designed interventions can stifle entrepreneurship and innovation, divert managers from their core business activity, prolong decision making and reduce flexibility.

Government intervention to enhance liveability and meet social and equity goals is not without costs, such as taxes and policy trade-offs involving winners and losers. Best practice regulation should ensure only appropriate and necessary government intervention in community and business activities.

### 3.3.1 Subsidiarity

Determining what level of government should undertake responsibilities with respect to liveability (whether Commonwealth, state or local governments) can be difficult and will vary on a case-by-case basis. A framework is set by Australia's constitution but in practice considerable flexibility and overlap has emerged. (It is noted that the Commonwealth Government has committed to a review of federalism in order to consider some of these issues.) The Productivity Commission suggests that responsibility for a function should, *where practicable*, be allocated to the level of government closest to those affected by the decisions — this principle is known as subsidiarity. The principle of subsidiarity requires that decisions be made as close as practicable to the communities and people affected by them.

Subsidiarity rests on four main considerations:

- sub-national governments are likely to have greater knowledge about the needs of the citizens and businesses affected by their policies
- decentralisation of responsibility and decision making makes it easier to constrain the ability of elected representatives to pursue their own agendas to the disadvantage of citizens they represent
- intra-national mobility of individuals and businesses exposes sub-national governments to a reasonable degree of intergovernmental competition
- initial emphasis on the lowest level of government encourages careful consideration or testing of the case for allocating a function to a higher or national government and thereby guards against excessive centralisation (PC 2005).

The purpose of the subsidiarity principle with application in liveability is that responsibilities should be allocated to the level of government most able to effectively and responsively deliver them, responding to the often differing needs of different communities. The Productivity Commission suggests this is also linked to the capacity of different levels of government to fund those activities (whether it be through its own revenue raising ability or through intergovernmental transfers) (PC 2005).

In determining the level of government appropriate to a particular service, subsidiarity would require that local differences be recognised as much as possible. This view suggests that the appropriate level of government is the one that will make more people happy. This position was articulated by United States of America (US) Supreme Court Justice Antonin Scalia (box 3.2). Arguably, the

variety of preferences in the face of the complex bundle of considerations that make up liveability are more likely to be satisfied through well managed subsidiarity.

### Box 3.2 **A defence of federalism**

US Supreme Court Justice Antonin Scalia's defence of federalism:

... there are many reasons for having a federal system, but surely the most important is that it produces more citizens content with the laws under which they live. If, for example, so-called 'sexually oriented businesses' — porn shops — were put to a nationwide referendum, the outcome might well be 51 per cent to 49 per cent. If that result were imposed nationwide, nearly half of the population would be living under a regime it disapproved. ... If the question of permitting sexually oriented businesses were left to the states ... perhaps as much as 80 per cent of the population would be living under a regime that it approved.

Source: Allan 2006, p. 13.

MAV recognised the importance of subsidiarity when it noted local governments:

... have to respond to local community needs and have powers to set their own regulations and local laws, and provide a range of discretionary services ... [and they are responsible for] ... assets and infrastructure including roads, bridges, town halls, recreation and leisure facilities, drains, libraries and parks – all of which contribute to the liveability of a local area. (sub. 22, p. 5)

Bayside City Council also noted local governments are:

... well placed and attuned to local community aspirations and expectations on matters such as open space, quality of urban design execution in public spaces, provision of community facilities and meeting places for social, cultural and recreation purposes. (sub. 15, p. 1)

(Issues associated with community infrastructure are discussed in more detail in chapter 8.)

Responsibility should, however, be assigned to a higher level of government when there are:

- significant interjurisdictional spillovers from a function being allocated to a lower level of government
- sizable economies of scale or scope from central provision — such as defence
- high transaction costs without offsetting benefits from a diversity of rules and regulations
- risks that mobility across jurisdictions could undermine the fiscal strength of sub-national government (PC 2005).

MAV recognised the potential usefulness of another tier of government taking a more active role in some issues, for example, ecologically sustainable development, when it noted:

Increasing numbers of councils ... are implementing and promoting voluntary assessment tools ... to improve environmental performance of buildings. ... A potential first step could be for the State Government to facilitate the incorporation of [ecologically sustainable development] ESD requirements into the Planning and Building approvals processes, at a local and State level. (sub. 22, p. 15)

The Department of Planning and Community Development submitted that some planning issues are more appropriately handled by the Victorian Government (rather than local governments) when matters are of:

... state and regional significance such as supporting economic development, state investment in infrastructure, ensuring that there is a greater diversity of dwellings to support young and older household growth, guidance on residential densities, development of major centres, uses of state significance, ensuring that subdivision does not undermine agriculture, tourism and environmental assets and other matters of state importance. (sub. 51, p. 31)

(Issues associated with the importance of subsidiarity to planning are discussed in chapter 8.)

Finding the appropriate balance as to which level of government is most appropriate to deal with an issue can be difficult. The City of Greater Shepparton recognised this difficulty and noted:

Too often standards, requirements and benchmarks developed to meet metropolitan imperatives are then rolled out across the whole state. The Victoria Planning Provisions which form the basis of all planning schemes in the state must deliver outcomes suitable for Melbourne but because there is no recognition that there might be different needs outside the metropolitan area these are then required to apply in situations as diverse as regional centres, small rural townships and farming communities. (sub. 32, p. 8)

### **3.4 Human rights, disadvantage and liveability**

The discussion of the role of government above explored policies to improve equity in the community. Equity forms the foundation of human rights.

Respect for human rights is an important element of liveability. Recognising human rights is not just a matter of protecting existing rights, it is also about improving access to basic rights such as adequate housing, health care and education. There are, of course, different views about human rights. For example, VCOSS believes ‘human rights are about trying to achieve equality and ensuring a fair go for all’ (VCOSS 2006b, p. 11). Others would place more

emphasis on providing more opportunities, as opposed to equal outcomes. In discussions with inquiry participants, the Commission has formed the view that while Victorians are concerned with their own liveability, their perception of their own liveability is influenced by whether people are getting a ‘fair go’.<sup>4</sup>

The importance of overcoming disadvantage by establishing an appropriate regulatory framework to enhance liveability has been emphasised by the Victorian Equal Opportunity and Human Rights Commission. They suggested liveability would be improved through promoting equality of outcomes, and this would be facilitated with a clearer regulatory framework:

... a clearer regulatory framework is required for the achievement of substantive rather than simply formal equality to advance a fairer and more liveable Victoria for all.

Substantive equality is an attempt to define what the reality of the term equality is. While equality of opportunity can be measured by looking at the mechanisms and programs available, substantive equality can only be measured by looking at outcomes. This refocussing of what success looks like, away from process and onto outcomes, is a powerful and more real way of assessing progress and achievement. We believe this has central relevance to your Inquiry when considering how we ensure we are a liveable State for all, and one in which everyone’s talents and capacities are fully recognised (sub. 44, p. 3).

Youthlaw noted:

In essence the enquiry is about the promotion of and respect of Victorians’ human rights which are often defined as synonymous with the concept of ‘needs’ or ‘basic needs’. (sub. 30, p. 1)

The Victorian Government, recognising the importance of human rights and addressing disadvantage, has introduced a number of initiatives to address these issues, including:

- *The Charter of Human Rights and Responsibilities Act 2006* (Vic.)
- *The Equal Opportunity Act 1995* (Vic.)
- *A Fairer Victoria*
- *Growing Victoria Together*.

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<sup>4</sup> John Rawls recognised the importance of ensuring all members of a society have the opportunity to develop and flourish through his work, *A Theory of Justice* (Harvard University Press 1971). Rawls postulated that if a person did not know how they would end up in their society, they would develop a scheme of justice that treated all members of society fairly (the veil of ignorance). Rawls’ theory revolves around the adaptation of two principles: (1) the first principle guarantees the right of each person to have the most extensive basic liberty compatible with the liberty of others; and (2) the second principle states that social and economic positions are to be (a) to everyone’s advantage and (b) open to all (Centre for the Advancement of Applied Ethics nd).

Put simply, governments set the broad legal context, developed further by common law decisions, through the courts and through policies which have human rights consequences. The Victorian Charter of Human Rights and Responsibilities Act provides for the protection of human rights in Victoria. The Charter recognises human rights belong to all people without discrimination, and that the diversity of the people of Victoria enhances our community. Under the Charter, public authorities must also take human rights and responsibilities into account when performing their functions (developing policies, making decisions and taking action). Parliament too must consider the human rights implications of all proposed laws and courts must interpret all legislation in the light of the rights in the Charter.

The Victorian Government also has an important role in allowing individuals to pursue their own needs, interests and happiness including those associated with obtaining adequate housing, health care and education. The development and maintenance of this liberty is important because — as the philosopher Immanuel Kant observed — ‘freedom is the quality that brings out the best in all of us’ (Kasper 2003, p. 21). The absence of such freedoms — a situation where the state seeks to curtail liberty by controlling behaviour too much — can result in citizens having a low standard of living and having little control over their destiny (Friedman & Friedman 1980).

Human rights and addressing disadvantage are also closely connected with individual and community behaviour. While governments can set a broad legal framework to address issues, it will largely be up to individuals ‘on the ground’ to give effect to them. While effective enforcement provisions can encourage compliance with legislation, equally important is the commitment of individuals and the community to human rights and their adherence to ‘acceptable’ community behaviours and/or legal requirements. Unwillingness on behalf of individuals to meet human rights or address disadvantage will undermine any attempts by governments to enhance liveability. The roles that individuals, communities and businesses can play in enhancing liveability are discussed in more detail in chapter 6. In particular, the sustained effort of local people, community groups, businesses and all levels of government helps build communities and improve liveability.

Ensuring basic human rights are met and disadvantage is challenged is not only the responsibility of individuals and governments; businesses have important roles to play. In particular, businesses have a role as part of good corporate citizenship (chapter 6) and because they operate within a framework set by law and community standards.

### 3.5 Adding value to liveability

The Commission's approach recognises that where government spending, taxing or regulation is required, the management of the spending, the efficiency of the regulations, and the effectiveness of the regulatory architecture and governance arrangements are fundamental to effective decision making. Efficient decision making maximises the scope for liveability to be enhanced. Dr Carolyn Whitzman recognised the importance of efficient regulations, regulatory architecture and governance arrangements and noted:

... there is very little wrong with the current Victorian vision [for liveability]. The question is how well that vision is being implemented. (sub. 9, p. 3)

The Commission's analysis is not intended to give the Victorian Government advice on spending priorities, nor is it intended to provide an evaluation of every policy affecting liveability. Indeed, many of the ideas put forward will need to be subject to further examination and a robust cost benefit analysis — this is beyond the scope of this broad inquiry. Rather, the Commission's report seeks to identify options to improve the capacity of people and businesses to help themselves and for government interventions to be as efficient and as effective as possible — the achievement of which will enhance Victoria's liveability. In doing that, the Commission has kept in mind the useful touchstones of the connection between liveability and better information, better regulation and better governance.

### 3.6 Summing up

**The Commission has highlighted the main drivers of liveability, namely:**

- **economic strength and markets**
- **governments**
- **human rights (draft finding 3.1).**

These drivers are central to meeting the community's changing needs over time.

Markets are the main providers of goods and services and in doing so generate employment, all of which provide a foundation for the liveability of a community. Governments provide an institutional framework for oversighting markets and ensuring that the needs of communities are met and community goals pursued. Human rights are the fundamental values with which communities, governments and markets operate.

**The Commission suggests that the effective interaction of economic strength and markets, governments, equity and human rights, with high standards of liveability is dependent on:**

- improved information provision, to allow more informed (and more efficient) decision making to occur
- best practice regulation, to ensure only appropriate and necessary government interventions in community and business activities
- governance architecture that ensures the development and implementation of planning and other policies are as well integrated as possible (draft finding 3.2)
- the principle of subsidiarity, whereby decisions are taken as close as practicable to those affected, can facilitate consideration by markets and governments of the views of their customers and communities, and can promote engagement, a key component of liveability (draft finding 3.3).



## **4 Measuring liveability**

### **4.1 Introduction**

The use of liveability measures as a tool to make comparisons between countries and cities is generally well-known. Scores and ‘league tables’ generated through liveability measures often receive a great deal of media attention and tend to be publicised by cities that rank well in an attempt to increase their attractiveness and competitiveness, particularly for tourism and skills attraction (and migration more broadly). Governments may use liveability measures to inform policy development at a broad level. Employers may also use liveability measures in determining remuneration for expatriates.

One of the terms of reference directs the Victorian Competition and Efficiency Commission (the Commission) to ‘explore, using well-established measures of liveability (such as those adopted by the EIU in its international surveys of liveable cities), the link between liveability and enhancing Victoria’s competitiveness’. This chapter examines a number of liveability indicators, as well as their usefulness in the policy development processes. The link between liveability and enhancing Victoria’s competitiveness is considered in chapter 5. This chapter examines:

- international measures of liveability (section 4.2)
- domestic measures of liveability (section 4.3)
- the public policy implications of liveability and sustainability indicators (section 4.4).

### **4.2 International measures of liveability**

There are numerous international measures of liveability that attempt to determine liveability across countries and cities. The best known of these include:

- Economist Intelligence Unit’s (EIU) ranking of cities
- Mercer Human Resource Consulting’s worldwide quality of living survey
- Anholt City Brands Index, which measures how cities are perceived by non residents
- EU Urban Audit, which is a dataset of quality of life indicators for European cities.

These measures (as well as a vast array of academic studies on liveability) are generally based on one of two concepts:

- the quality of life, which is assessed by examination of a range of economic, social, environmental and political factors
- the cost of living, which measures how much it costs to buy a representative basket of goods and services in a particular geographic area.

Quality-of-life measures embrace many aspects of the liveability description adopted by the Commission (chapter 2). Quality-of-life outcomes may be also affected by characteristics that are beyond the control of policy makers or that are not easily measured.

To provide some insight into how these international measures of liveability determine their rankings of cities, this section examines two of the most recognised of these measures:

- the EIU ranking of cities — this measure may be particularly well known to Victorians, as it is this system that a few years ago ranked Melbourne as the world’s most liveable city and consequently caught the attention of the media (section 4.2.1)
- Mercer Human Resource Consulting’s worldwide quality of living survey (section 4.2.2).

Additional information on international indicators is available through a staff working paper released earlier this year.

#### **4.2.1 Economist Intelligence Unit liveable cities ranking**

The EIU ranks cities on their liveability as part of the Worldwide Cost of Living Survey. Living conditions are assessed using around 40 indicators, with each city being given a value between one and five for each indicator.<sup>1</sup> These scores are then grouped into five weighted categories (box 4.1) to allow a rating of between 0 per cent and 100 per cent to be determined for each city — the lower the score the more ‘liveable’ the city.

In recent years, Melbourne has ranked highly in the EIU’s liveability surveys, and as the world’s most liveable city in 2003 and 2004 — in part due to favourable scores with regard to violent crime and climatic conditions. In 2005, Melbourne slipped in its international rankings to become the world’s second most liveable city behind Vancouver, Canada — a result largely due to Melbourne being judged to have less recreation activities relative to Vancouver (City of Melbourne 2007a).

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<sup>1</sup> A value of one means there is no reduction in quality of life, while a five means the quality of life (liveability) is extremely challenging — that is, there is a negative effect on liveability.

### Box 4.1 **Economist Intelligence Unit's Quality of Life rating**

The five weighted categories of the EIU Quality of Life rating are:

- Stability (25 per cent) — prevalence of petty crime, prevalence of violent crime, threat of military conflict, threat of civil unrest/conflict, threat of terrorism
- Healthcare (20 per cent) — availability of public and private healthcare, quality of public and private healthcare provision, availability of over-the-counter drugs, general healthcare indicators
- Culture and Environment (25 per cent) — climate (humidity/temperature rating, discomfort to travellers, cultural hardship), corruption, social/religious restrictions, level of censorship, recreation (sports, culture, food and drink), availability of consumer goods and services
- Education (10 per cent) — availability of private education, quality of private education provision, general public education indicators
- Infrastructure (20 per cent) — transport (quality of road network, quality of public transport, quality of regional or international links), housing (availability of good quality housing), utilities (quality of energy provision, quality of water provision, quality of telecommunications infrastructure).

Source: City of Melbourne 2007a.

A number of submissions raised concerns with the EIU rankings, most notably:

- Dr. Carolyn Whitzman noted that ‘the EIU uses negative or threat-based criteria: measuring the absence of something negative, rather than the presence of something positive’ (sub. 9, p. 2).
- The Commissioner for Environmental Sustainability noted that although the measure has several ‘indicators which are integral to holistic sustainability ... housing affordability, social equity, public transport accessibility and community safety ... only one; humidity/temperature rating, is of direct relevance to environmental conditions’ (sub. 43, p. i).
- Similarly, Environment Victoria noted ‘this liveability measuring tool fails to measure the environmental health and contribution to liveability of the city’ (sub. 19, p. 2).

#### **4.2.2 Mercer Human Resource Consulting's worldwide quality of living survey**

Mercer Human Resource Consulting's worldwide quality of living survey is designed to assist people moving internationally and companies who relocate employees to decide on appropriate remuneration. It is a measurement based on 39 factors that are grouped into 10 key categories (box 4.2). Cities are then weighted and ranked against the base city, New York, which has a score of 100.

In 2007, Zurich was ranked the world's top city with a score of 108.1. Melbourne was ranked seventeenth behind other Asia-Pacific cities such as Auckland (equal fifth), Sydney (equal ninth) and Wellington (twelfth) (Mercer 2007).

#### **Box 4.2 Mercer Human Resource Consulting's worldwide quality of living survey**

The 10 key categories of the Mercer Human Resource Consulting's worldwide quality of living survey are:

- political and social environment — for example, political stability, crime and law enforcement
- economic environment — for example, banking services
- socio-cultural environment — for example, civil liberties
- health and sanitation
- schools and education
- public services and transportation
- recreation
- consumer goods
- housing
- natural environment — for example, climate.

Source: Mercer 2007.

The Mercer Human Resource Consulting's survey is constructed using similar categories and for a similar purpose as the EIU rankings. Therefore many of the comments raised regarding the EIU also apply.

### **4.3 Australian measures of liveability**

A number of domestic and regional measures of liveability have been developed to measure liveability within cities and across regions of Victoria and Australia. Some tools to measure components of domestic liveability — for example, tourism and travel, health, housing and competitiveness — have also been developed.

While the local focus of domestic measures of liveability tends to preclude their use for international rankings, they often facilitate benchmarking and/or comparisons that can be useful for public policy purposes (section 4.4). Two local measures of liveability are Community Indicators Victoria (section 4.3.1) and the Australian Unity Wellbeing Index (section 4.3.2). The Victorian Government's reporting on *Growing Victoria Together* also provides insights on aspects of liveability, with ten key issues being reported (section 4.3.3).

### 4.3.1 Community Indicators Victoria

Community Indicators Victoria (CIV) is a collaborative project, funded by VicHealth and a number of other partners, and is hosted by the McCaughey Centre, School of Population Health, at the University of Melbourne. CIV has been developed to present and report on the wellbeing of Victorians using an integrated set of community wellbeing indicators. These indicators refer to a broad range of measures designed to identify and communicate economic, social, environmental, democratic and cultural trends and outcomes (box 4.3). The indicators are then intended to facilitate robust, effective and evidence based decision making at the state and local levels that facilitates the building of healthy, just and sustainable communities.

CIV uses a combination of indicators from the Australian Bureau of Statistics (ABS) and survey data. The data is available at the local government area level and can be of particular use to local governments in monitoring progress over time and considering outcomes against other municipalities. A number of local governments use a subset of CIV indicators to examine the link between community wellbeing (liveability) and the delivery of council services (CIV 2007).

CIV has been endorsed by a number of users, including Enrico Giovannini, Chief Statistician of the Organisation for Economic Cooperation and Development (OECD) who described CIV as an ‘important and ground-breaking initiative’ (sub. 62, p. 7).

#### Box 4.3 Community Indicators Victoria

Around 80 indicators are used by CIV to assess liveability and these are grouped into five main areas:

- Healthy, safe and inclusive communities
- Dynamic, resilient local economies
- Sustainable built and natural environments
- Culturally rich and vibrant communities
- Democratic and engaged communities. (CIV 2007)

CIV uses data from a variety of sources, including the ABS, existing Victorian Government data and the 2007 Statewide Community Indicators Victoria Survey.

Source: CIV 2007.

### 4.3.2 Australian Unity Wellbeing Index

In 2001, the Australian Unity Wellbeing Index was launched to examine factors affecting society that were not captured in economic output indicators such as Gross Domestic Product. The index is a joint project between Australian Unity and Deakin University’s Australian Centre on Quality of Life. For example, more

people are identified as experiencing depression every year even though recent economic conditions have resulted in increasing income in Australia. The index also helps to inform public debate about the sort of society people want to live in.

The index comprises two components: personal and national wellbeing. Personal wellbeing is measured using average levels of satisfaction with one's standard of living, health, life achievements, safety, personal relationships, and community inclusion. National wellbeing is measured by average satisfaction with national social conditions, economic situation, environment, governance, business and national security.

Between 2004 and 2007, personal wellbeing maintained a level of some 74 per cent. Over the same period, national wellbeing rose from 61 per cent to 64 per cent (Cummins, Walter and Woerner 2007).

### **4.3.3 Growing Victoria Together**

*Growing Victoria Together* (GVT) is a vision for Victoria to 2010 and beyond. It articulates the issues that the Victorian Government has interpreted as important to Victorians, and the priorities the government has set to make Victoria a better place in which to live, work and raise a family. A key commitment in GVT is annual reporting on the progress that the government has made to achieve these goals.

When GVT was first launched (2001), the Victorian Government envisaged that its vision, goals and measures of progress would evolve over time. A refreshed version of GVT was released in March 2005. This update considered the views and priorities of Victorians from all walks of life, and resulted in a commitment to ten shared goals for Victoria's future (table 4.1).

The high level visions and goals show some concordance with the liveability descriptor discussed in chapter 2. GVT reporting could be expanded as a more complete monitoring focussed on a broader range of liveability indicators. For example, it could be expanded to include urban amenity indicators, additional transport indicators such as congestion (chapter 9), further measures of community strength and housing affordability (chapter 6), and additional measures of regulation.

**Table 4.1 Growing Victoria Together visions and goals**

<i>Vision</i>	<i>Goals</i>
Thriving economy	More quality jobs and thriving, innovative industries across Victoria Growing and linking all Victoria
Quality health and education	High quality, accessible health and community service High quality education and training for lifelong learning
Healthy environment	Protecting the environment for future generations Efficient use of natural resources
Caring communities	Building friendly, confident and safe communities A fairer society that reduces disadvantage and respects diversity
Vibrant democracy	Greater public participation and more accountable government Sound financial management

Source: Government of Victoria 2007b, p. 349.

The sixth GVT progress report was released as part of the 2008-09 Victorian State Budget. The progress reports use a 1999 base year and new information is included where it is considered that it will provide a more meaningful and robust assessment of progress (Government of Victoria 2007b, pp. 349-350).

One example of the outcomes and related performance indicators that underpin the GVT goal of ‘growing and linking all Victoria’ is shown in table 4.2.

**Table 4.2 Growing and linking all Victoria — outcomes and performance indicators**

<i>Outcome</i>	<i>Performance indicator</i>
Victoria’s total population will reach six million people by 2025, and regional population growth will increase to 1.25 per cent annually by 2006	Population growth in Melbourne and regional Victoria
Regional rail services will be available to more Victorians	Regional rail services (number of services) and patronage (number of passengers) in Victoria
The proportion of freight transported to and from ports by rail will increase from 10 per cent to 30 per cent by 2010	Proportion of freight transported by rail to and from Victoria’s commercial ports (Melbourne, Geelong and Portland)
Public transport use in Melbourne as a proportion of trips taken by motorised means will increase from 11 per cent in 2002 to 20 per cent by 2020	Public transport use as a proportion of trips taken by motorised means in Melbourne Public transport services and passenger trips per week

Source: Government of Victoria 2008e.

## 4.4 The role of liveability measures in public policy

Liveability measures might contribute substantially to public policy development. If changes or comparisons in liveability measures can provide useful (relevant and timely) insight into particular issues, they may provide a rich source of information to help develop and inform policies. More generally, accessible information relating to factors affecting liveability is an important part of decisions made by individuals and businesses in pursuing their own goals, interests and preferences. For example, Invest Victoria, as part of its investment facilitation role, provides specific information to prospective investors on the investment climate within Victoria, as well as information on various regulations they may need to operate within.

To address the usefulness of liveability measures to public policy development, this section explores two main types of liveability indicators:

- composite indicators (section 4.4.1)
- suites of specific indicators (section 4.4.2).

Section 4.4.3 explores how this information may be reported to maximise its usefulness to decision makers (government, business and individuals).

#### 4.4.1 Composite indicators

Composite indicators are a mechanism by which indicators representing complex and multi-faceted issues are aggregated (first applying various weights to the components to reflect their perceived relative importance) to develop a single indicator. A single composite indicator permits comparisons to occur over time and between the entities being examined. The Mercer Quality of Living Survey and the EIU Liveability Rankings are examples of a composite indicator, both of which were developed to assist businesses to determine remuneration levels for expatriate staff.

The relevance of composite indicators in informing policy debate and assisting in policy development is generally limited as their component measures have lost their separate meaning through aggregation, with the nature of the components and their respective weightings in aggregation being the result of subjective decisions. For example, despite the EIU Liveability Rankings and the Mercer Quality of Living Survey including similar components of liveability (such as education, recreation and infrastructure), the different weightings given to these components results in cities scoring differently in each survey (section 4.3.1 and section 4.3.2). Table 4.3 illustrates differences between cities.

**Table 4.3 Comparison of liveability survey rankings**

<i>City name</i>	<i>Economist Intelligence Unit — Liveability ranking 2005</i>	<i>Mercer worldwide quality of living survey 2007</i>
Vancouver	1	3
Barcelona	33	41
Dublin	47	27
Melbourne	2	17

Source: Urbis 2008.

Composite indicators say very little about how ‘liveable’ a city is for all who live and work there as their composition reflects the needs of a specific audience. While a composite indicator may be of interest to an expatriate executive, it is not intended for use by the general population and it is not relevant to assessing liveability for disadvantaged people or from an environmental sustainability perspective (City of Melbourne (sub. 41, p. 6)). The quality of international education is included in both the EIU and Mercer rankings. While the quality of international schools may be of interest to relocating expatriates, it is unlikely to be of such importance to people already residing in Victoria. The Victorian Council of Social Service also noted that:

... comparative international liveability rankings, such as Mercer's *Quality of Living Survey* ... have been developed as corporate tools which support expatriate recruitment and human resource management. They therefore are typically limited to indicators of liveability likely to be relevant to these purposes. As such these indicators are inadequate to measure liveability in Victoria. (sub. 46, p. 6)

The different rankings that are generated from different composite measures of liveability can, if used in the policy decision making process, highlight different and/or conflicting challenges. They also have the merit of being measured over time. However reliance on any single composite measure for policy making will provide limited insights for specific government policy adjustment. The disaggregated components would need to be examined carefully and judgments made as to their adequacy before drawing any detailed policy conclusions. For example, in the 2005 EIU Liveability Ranking, Melbourne scored less than Vancouver in the 'culture and environment' category, due to the lower number of world class sporting events and concerts, whereas the Mercer Quality of Living Survey (2006) suggested that Melbourne's strengths lie in its recreation facilities, housing and natural environment. Arts Victoria noted that the Brand Health Survey stated:

Melbourne has established and maintained its reputation for arts and culture, as shown by the results of the Brand Health Survey 1996-2007 (conducted by Roy Morgan Research):

- Melbourne is seen as the leading capital city for theatre since 1996.
- Since 2005, Melbourne has the reputation of being the leading "city-host" of international sporting and cultural events.
- Melbourne has a better city nightlife than Sydney.
- Melbourne has (next to Sydney) interesting and diverse regional experiences within 1.5 hours from the city. (sub. 37, p. 10)

Composite measures generate different outcomes, appropriately to the extent that they seek to present a picture of comparative liveability that reflects the interests of the users. They offer no benefit for specific policy purposes by comparison of the different composite measures. However, disaggregation of composite measures can provide more useful information for policy purposes and decision making, subject to the adequacy of the component indicators.

A composite indicator's usefulness can only be assessed after careful consideration of its underlying methodology (including its purpose and the nature of the subjective judgements implicit in the methodology). In most cases, the Commission considers that composite indicators are of limited use to Victorian policy makers. The City of Melbourne has recognised the difficulty associated with the use of composite indicators and noted that:

Indicators of a composite nature ... should be used with caution. The treatment, (selection and weighting) of their components involves making value judgements that can skew their interpretation. (sub. 41, p. 2)

Put simply, it is rare that the success or otherwise of a complex issue (such as liveability) can be conclusively evaluated by a single measure. Composite indicators are not a substitute for thorough analysis of complex matters such as liveability. No doubt, marketing opportunities to promote Melbourne's or Victoria's brand as a liveable place will continue to be used to promote international and national tourism, and there seems no harm in that. Additionally, the measures may serve as an alarm bell if Melbourne's ranking falls substantially.

#### **4.4.2 Suites of indicators**

Suites of indicators measuring specific factors can provide useful information to inform public policy. This is particularly true for complex, multifaceted issues such as liveability, where the selection and monitoring of locally relevant factors can help inform policy analysis and development. The City of Melbourne noted that 'a group of indicators are more appropriate than one single index' (sub. 41, p. 2), while the Department of Planning and Community Development (DPCD) noted:

While single index measures will continue to be important in a comparative national/international context, the greater strategic value for Victoria may be in developing a broad and varied suite of liveability measures and objectives which can assist in strategic planning, resource allocation and local collaboration. (sub. 51, p. 18)

Hobsons Bay City Council found:

... it is not desirable to use only one measure to construct liveability. There is a need to acknowledge the various component parts that make up liveability and the way they interact. (sub. 13, p.1)

Determining what indicators can best inform policy analysis and development needs careful consideration. For example, Nillumbik Shire Council noted that when measuring liveability it would be useful to:

...incorporate concepts of equity and social justice as well as physical and community infrastructure...to measure the progress of communities. (sub. 31, p. 2)

While there is a range of indicators currently available for the Victorian Government — including data from DPCD, the ABS, CIV, State of the Environment reports and the Australian Unity Wellbeing Index — their application (including coverage and methodology) would need to be assessed carefully to establish their reference to policy outcomes if substantial reliance were to be placed on them for public policy purposes.

### **4.4.3 Benefits and challenges of measurement**

Although reporting can lead to considerable benefits, measurement systems can be costly and in some cases, lead to perverse effects. If indicators focus excessively on issues that are easily measured, they may divert attention from less easily measured outcomes that may be more central to achievement of the goal concerned (VCEC 2007b). Some outcomes are difficult to define and the data difficult to capture. The Productivity Commission in its *Report on Government Services* recognised that outcomes:

... are often difficult to measure. The report therefore includes measures of outputs, with an understanding that there is a correlation between some outputs and outcomes, and that measures of outputs can be proxies for measures of outcomes. (SCRGSP 2006, p. 1.13)

Effective indicators in areas where outcomes are not easily quantified require informed judgement to ensure that resources are not diverted primarily to measurable outputs that may not be central to policy goals. That notwithstanding, a suite of disaggregated domestic indicators can provide information to help guide policy makers and businesses. As mentioned, Invest Victoria has developed a suite of business specific indicators to help businesses in their deliberations as to whether or not to develop (or expand) their business in Victoria.

A suite of Australian indicators of liveability could be developed as a part of an effective performance reporting framework. Effective performance reporting frameworks assist in focusing on an organisation's key objectives, indicating how well an organisation is performing against its aims and objectives, and indicating whether organisations are using resources cost effectively (VCEC 2007b, pp. 2–5). Performance reporting can be used in assessing the success of a program in enhancing liveability. Performance reporting can also be used in assessing the success of all programs in enhancing liveability. High level reporting on liveability above the program level is not a substitute for reporting on the performance of specific programs.

The development of a more comprehensive liveability reporting framework (possibly through the expansion of current reporting) may assist policy makers and other decision makers. It should be noted, however, that assessing the improvement in liveability would remain challenging as the many influences on outcomes make it difficult to isolate cause and effect definitively.

### **4.4.4 Liveability reporting for Victoria**

As discussed, a great deal of information related to liveability is already collected in Victoria. However, liveability data is not collected in a coordinated reporting framework. The reporting against the GVT initiatives is the closest Victoria has

to a liveability report, as noted in section 4.3.3. This report could be made more comprehensive with regard to liveability, and serve as a barometer of the state's liveability.

A number of local governments across Victoria and Australia have developed liveability reporting mechanisms and reports. For example, Cairns City Council has used eight liveability indicators that comprise more than thirty liveability measures of progress against liveability outcomes over time (Cairns City Council 2006). Similarly, as reported in section 4.3.1, a number of local governments have used a subset of the CIV indicators to examine the link between community wellbeing and the delivery of council services.

Developing a suite of liveability indicators that are directly linked to liveability policies and programs can allow policy objectives to be assessed, indicate how well a program is performing against its goals and objectives and indicate where policy objectives can be improved. The Department of Infrastructure/Department of Transport (DOI/DOT) stated:

Monitoring liveability indicators will then enable government to better manage its policies and programs in support of liveability. (sub. 52, p. 3)

Similarly, DPCD argued:

Adopting specific measures of liveability will assist in guiding decision making and resource allocation by government. A working definition of liveability is also likely to involve the development of policy objectives that will define how the Government wishes to make a difference for Victorians. Each of these goals or objectives will need to have measurable performance indicators. (sub. 51, p. 19)

A number of submissions have suggested that there are areas where reporting could be improved. For example Nillumbik Shire Council stated:

... there is a role for indicators which enable comparative analysis and which also provide the opportunity to identify how communities are progressing towards enhancing their liveability. (sub. 31, p. 2)

In developing a liveability report for Victoria, consideration could also be given to extending the reporting to include measures of distribution, such as those contained in the Vinson report (2007) which showed significant variation between localities that would not be captured by average values.

The identification and use of appropriate liveability indicators as well as the establishment of an effective performance reporting framework will require adequate resources. The scope of the resources required will largely depend on the current availability of relevant indicators. CIV may provide an effective source of information.

#### **4.4.5 How often should information be reported?**

How often should the government produce a liveability report? GVT currently produces an annual report on progress against policy goals as part of the budget cycle. GVT is due to be revised before 2010 and a comprehensive liveability report could be developed as a successor to report annually against defined liveability objectives. The liveability report could also report against policy objectives such as *Meeting our Transport Challenges* and *Our Environment, Our Future*.

### **4.5 Summing up**

Liveability measures, such as the EIU liveable cities ranking, are well-known studies which rank the liveability of cities across the globe. In 2005, Melbourne slipped in its EIU international ranking to become the world's second most liveable city behind Vancouver, Canada.

A great deal of information related to liveability is collected in Victoria. The Victorian Government's reporting on *Growing Victoria Together* — a vision to 2010 and beyond — provides insights on concepts of liveability, with ten key issues being reported. GVT shows concordance with a number of components of liveability.

Community Indicators Victoria is a collaborative project developed to report on the wellbeing of Victorians using an integrated set of community wellbeing indicators, with data available at the local government area level. These could be useful for the purposes of establishing GVT to better support liveability.

#### **The Commission found that:**

- **composite measures of liveability, like the EIU index, are of limited use for Victorians in assessing liveability and for informing policy decisions**
- **although there is a range of indicators available for Victorians to draw on, they are not assembled in a comprehensive fashion to enable easy dissemination of the information**
- **a suite of indicators promotes specific policy outcomes, and provides information to assess the performance of government programs and policy, and assists business in decision making**
- **the availability of data on liveability indicators can inform improved decision making by state and local governments (draft finding 4.1).**

#### **The Commission proposes that:**

- **the government publish annually a suite of liveability indicators based on GVT, with some additional indicators, relating initially to transport, community strength, regulation and the environment (draft recommendation 4.1).**

## **5 Exploring links between liveability and competitiveness**

### **5.1 Introduction**

The terms of reference ask the Victorian Competition and Efficiency Commission (the Commission) to:

... explore, using well-established measures of liveability (such as those adopted by the EIU [Economist Intelligence Unit] in its international surveys of liveable cities), the link between liveability and enhancing Victoria's competitiveness.

Examining links between liveability and competitiveness requires an understanding of both these concepts. Chapter 2 discussed the many dimensions of liveability and Chapter 4 identified key liveability measures. This chapter examines the meaning of competitiveness and explores (using well established measures of liveability) linkages between liveability and competitiveness.

### **5.2 The meaning of competitiveness**

For this inquiry, the Commission has interpreted the competitiveness of a location to mean its ability to attract and retain mobile factors of production and to develop and use mobile and immobile factors efficiently. In this context, the liveability characteristics of a location (chapter 2) can be a key consideration in attracting and retaining mobile factors of production.

The term competitiveness has been used for a variety of purposes and in a range of contexts.<sup>1</sup> Despite the widespread use of the term, a review of the literature concluded that 'there remains little agreement either on what the term competitiveness means or on how policy intervention should try to enhance it' (DFT 2004, p. 2). In particular, there has been considerable debate over what competitiveness applies to and what factors it encompasses.

The notion of competitiveness has been applied to geographic areas or locations such as countries, cities, and urban and provincial areas. For example, the European Commission and the Organisation for Economic Cooperation and Development (OECD) have developed definitions of competitiveness at the country level (EC 2000, OECD 1996). Some of these definitions suggest that countries or nations are competing with each other on product and input

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<sup>1</sup> A summary of some of the more common uses of the term competitiveness can be found on the Commission's website: [www.vcec.vic.gov.au](http://www.vcec.vic.gov.au).

markets. The OECD (1996) definition links the competitiveness of an economy to the real incomes of its people (box 5.1).

### **Box 5.1 OECD definitions of competitiveness**

In a 1996 study, the OECD defined the competitiveness of a country as:

The degree to which it [a country] can, under free and fair market conditions, produce goods and services which meet the test of international markets, while simultaneously maintaining and expanding the real incomes of its people over the long term. (OECD 1996, cited in Budd & Hirmis 2004, p. 1016)

In a 2003 review of the metropolitan area of Melbourne, the OECD stated that:

Competitiveness is viewed in the sense of the capacity [of a location] to attract and contain mobile factors [of production] and to use immobile and mobile factors in an efficient way. (OECD 2003, p. 96)

Sources: OECD 1996, 2003.

In the past decade, there has been increasing attention internationally on competitiveness at the sub-national level; that is, cities, urban areas and provincial areas. The OECD recently examined the performance and competitiveness of metropolitan areas, which included several Australian cities (OECD 2003, 2006). In reviewing the metropolitan area of Melbourne, the OECD adopted the definition quoted in box 5.1. The competitive performance of cities and urban areas has also been a focus of policy research in the United Kingdom (DCLG 2006).

At the same time, the term competitiveness has been applied to individual firms or businesses. McFetridge (1995), for example, defined competitiveness to be the sustained ability of firms to operate profitably in open markets; that is, markets with low barriers to entry. The Department of Planning and Community Development (DPCD) noted that ‘some argue that competitiveness is entirely or primarily an issue of the performance of individual firms’ (sub. 51, p. 26).

Some inquiry participants did not view cities or provincial areas in Victoria as competing with each other but as working in partnership with Melbourne and other provincial areas (Roundtable 2 summary, City of Greater Bendigo, sub. 12).<sup>2</sup> The City of Melbourne stated that:

... rather than thinking that cities and provincial areas as competing, it is better to think of the firms and businesses located within them competing as well and

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<sup>2</sup> Summaries of the roundtable discussions can be found on the Commission’s website: [www.vceec.vic.gov.au](http://www.vceec.vic.gov.au). Inter-dependencies between metropolitan centres and provincial areas are explored in chapter 7.

supporting each other. This focuses governments' attention on providing cities and provincial areas with the best infrastructure to enable their firms to both compete and support each other. (sub. 41, p. 11)

The competitiveness of firms is affected by a wide range of factors (such as infrastructure, taxation, regulation, labour force, and inputs supplied by other firms) — many of which are relevant to liveability (chapters 2 and 4). For example, infrastructure costs feed into business costs and influence their competitiveness. As Sims (2007) noted, the capacity and effective operation of electricity networks, transport and communication systems, and water supply have a direct effect on the competitiveness of Australian businesses, at the same time as they meet liveability needs.

The Commission's interpretation of competitiveness is broadly based on the OECD definitions in box 5.1. The advantages of this interpretation are that it encompasses factors of production which are crucial for enhancing the competitiveness of businesses and it incorporates the concept of economic efficiency which is important for productivity growth. Indeed, both Krugman (1994a, 1994b) and Porter (1990, 2000) have interpreted competitiveness to mean productivity.<sup>3</sup> From a policy perspective, competitiveness should not be seen as the ultimate objective. Rather, it is productivity growth which makes possible higher living standards and enhances liveability.

That said, if not well managed, productivity growth can have adverse impacts on some aspects of community wellbeing or quality of life. For instance, depending on how broadly or narrowly economic growth is conceived, it could result in higher levels of environmental pollution and degradation. In turn, this can translate into poorer outcomes for the population and impose costs on future generations. This is discussed further in section 5.6.

While there are many different concepts of competitiveness, there is no generally accepted definition. For the purposes of this inquiry, competitiveness has been interpreted as the ability of a location to attract and retain mobile factors of production and to develop and use mobile and fixed factors efficiently.

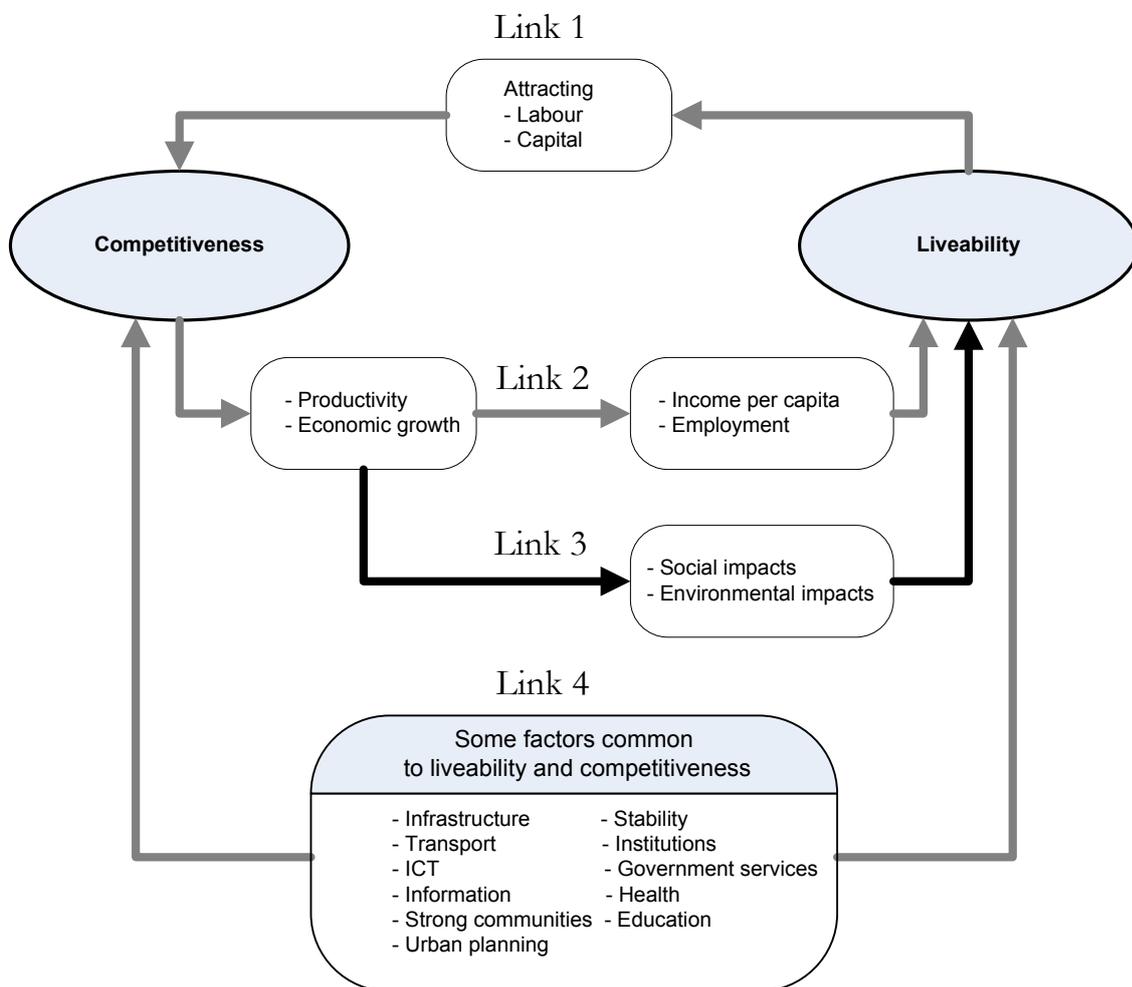
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<sup>3</sup> Krugman (1994a, 1994b) argued that, if competitiveness has any meaning, it is simply another way of saying productivity. Similarly, Porter (1990, 2000) argued that the only meaningful concept of competitiveness is productivity.

### 5.3 Links between liveability and competitiveness

Many submissions to the inquiry pointed to links between liveability and competitiveness (City of Greater Shepparton, sub. 32, DPCD, sub. 51, SGS Economics & Planning, sub. 26, VicUrban, sub. 56). As the terms of reference require, this section explores those linkages. The primary linkages that the Commission has identified are depicted in figure 5.1.

Figure 5.1 **Thinking about links between liveability and competitiveness**



Source: VCEC.

The following subsections discuss these linkages, including:

- links from liveability to competitiveness (section 5.4)
- links from competitiveness to liveability (section 5.5)
- potential tradeoffs between liveability and competitiveness (section 5.6)
- factors common to liveability and competitiveness (section 5.7).

## **5.4 Links from liveability to competitiveness (Link 1)**

A number of inquiry participants commented on the beneficial effects of liveability on competitiveness; that is, link 1 in figure 5.1. For example, the City of Greater Shepparton stated that:

... there is a strong link between liveability and competitiveness. ... Perceptions of the liveability of regional centres are important in driving growth. Liveability is increasingly seen as a critical factor in the competitiveness of a regional centre and its capacity to build a competitive economy. (sub. 32, p. 7)

From an economic efficiency perspective, labour and capital resources should be attracted and retained in a location to the extent that they increase efficiency. To promote economic efficiency, it is essential that resources are able to move to their most valuable use. Freebairn stated that:

Economic efficiency requires application of the simple principle of equating marginal social benefits and marginal social costs in choosing products, production methods and location. For example, scarce capital and labour would be allocated between industries and between locations ... to the point where marginal social benefits in one activity or location equals the marginal social benefit, or opportunity cost, in other activities or locations. (Freebairn 2003, p. 398)

Freely functioning markets generally provide the most efficient means of allocating resources so as to maximise the wellbeing of the community (Government of Victoria 2007c). That said, where social objectives (such as promoting cultural diversity) are pursued, these objectives need not be inconsistent with enhancing economic efficiency.

There is some international evidence on the link between ‘quality of life’ (which captures similar dimensions as the concept of liveability) and competitiveness (box 5.2). Some submissions pointed to recent work which highlights the importance of liveable communities in attracting knowledge-intensive industries and workforces (for example, see Arts Victoria, sub. 37, DPCD, sub. 51).

## Box 5.2      **Quality of life and competitiveness: international evidence**

There is some evidence which suggests that quality of life can be a significant consideration in location decision making.

### *Quality of life and labour migration*

Findlay and Rogerson (1993) identified that quality of life reasons were important to more than 70 per cent of the migrants interviewed; indeed more important than employment, living costs and family ties.

### *Quality of life and business investment*

In a study of the largest companies in the European Union, Healey and Baker (1993) found that about 10 per cent of these companies included quality of life factors among the three most important attributes in their location decisions.

Some North American studies (cited in Rogerson 1999) concluded that quality of life issues were a primary consideration in locating a plant or business. O'Mara (1999) noted that quality of life factors — such as housing quality, ease of commuting and educational institutions — were influential in site selection.

At the same time, some studies have found that the availability of skilled labour, land and infrastructure and proximity to customers and suppliers were also important factors (Bathelt & Hecht 1990, Sokol & van Egeraat 2005).

Sources: Bathelt & Hecht 1990, Findlay & Rogerson 1993, Healey & Baker 1993, O'Mara 1999, Rogerson 1999, Sokol & van Egeraat 2005.

## **5.4.1      Liveability and attracting labour**

Some theories, such as the 'creative class' hypothesis, suggest that communities should focus on attracting particular types of labour. Skilled labour, which is a much larger class of labour than the creative class, has been one emphasis of Australia's migration program.

### **The creative class**

According to Florida (2002, 2003), there is a growing class of creative people (such as engineers, writers, artists, researchers and architects) within societies that can help spur economic growth. This hypothesis that the creative class encourages innovation and attracts businesses to a city or geographic area implies that actions should be taken to attract creative class workers. The creative class hypothesis, however, has provoked some criticism (appendix B).

Studies such as Friedman (2005) contend that globalisation and associated communication technology have diminished the role of location as a competitive

advantage in fostering economic growth. At the same time, Florida (2005) observed that economic activity and innovation are geographically concentrated. Feiock et al (2008) concluded that Friedman and Florida paint only part of a complex picture. The creative class, location and competitiveness are discussed further in appendix B.

While there are limitations to Friedman’s and Florida’s analyses, it is possible to draw two conclusions. Firstly, globalisation will continue to increase competition for mobile labour and capital resources. And secondly, as skilled people are an important input to economic production, a location may improve its competitiveness by creating a more liveable environment that is attractive to skilled workers.

### Skilled labour

Liveability or quality of life considerations are clearly important for attracting people to a location. In a report prepared for the Commission, the Allen Consulting Group identified specific considerations in the choice of location of skilled and value-adding workers.<sup>4</sup> Table 5.1 lists the key factors most likely to encourage people to relocate to and from Victoria.

**Table 5.1 Relocation factors, Victoria**

<i>Pull’ factors</i>	<i>Push’ factors</i>
<ul style="list-style-type: none"> <li>• Employment and business opportunities</li> <li>• Education opportunities</li> <li>• Cultural diversity and acceptance</li> <li>• Specific visa requirements</li> <li>• Social cohesion and stability</li> <li>• Leisure opportunities</li> <li>• Safety and security</li> <li>• Victoria’s clean and diverse environment.</li> </ul>	<ul style="list-style-type: none"> <li>• Expensive housing in Melbourne relative to salaries</li> <li>• Lack of education opportunities in provincial areas</li> <li>• Poor broadband especially in provincial areas</li> <li>• Perception issues related to Victoria’s climate</li> <li>• Migration red tape</li> <li>• Distance from the rest of the world and travel time.</li> </ul>

Source: ACG 2008.

<sup>4</sup> The full report can be found on the Commission’s website: [www.vcec.vic.gov.au](http://www.vcec.vic.gov.au).

Some submissions highlighted the competitive advantages and disadvantages of provincial Victoria. For instance, the City of Greater Bendigo argued that the environment (such as climate, clean air and landscape) is one of a number of factors that have attracted people seeking a 'tree change' (sub. 12, p. 2). Similarly, DPCD noted that liveability is a factor attracting population to provincial cities and 'tree change' and 'sea change' areas (sub. 51, p. 4). At the same time, some inquiry participants cited shortcomings in transport and communication services in provincial areas (for example, MAV, sub. 22). Differences in liveability characteristics between metropolitan Melbourne and provincial Victoria are discussed in chapter 7.

In contrast to the creative class, skilled workers comprise a much larger class of labour. Some submissions pointed to the role of migration and, in particular, the skilled migration program in augmenting Victoria's labour supply. For example, the City of Greater Shepparton noted that it is heavily dependent on the skilled migration program to address some skill shortages (sub. 32). Recent changes to Australia's migration program have included a greater emphasis on skills, increased numbers of temporary immigrants, and more diversification in the country of origin (PC 2006a).

In examining the economic impacts of migration, the Productivity Commission found that the greater emphasis on skills has been associated with better labour market outcomes for immigrants, although the impact of skilled migration on average living standards was projected to be positive but small (PC 2006a). That said, migration increases the labour supply which is needed to underpin further economic growth. Apart from purely economic reasons, there are social benefits from migration. The City of Greater Shepparton argued that skilled migration has added to the cultural diversity of the area and its liveability (sub. 32).

### **International students**

Some submissions noted the importance of international students to the Victorian economy. For example, the City of Melbourne stated that students are a significant economic driver for the city (sub. 41). While noting that international students make a significant contribution to the economy, Trevor Budge argued that international students are at a disadvantage because they are not entitled to student concession travel on public transport in Victoria and that this particularly affects students considering enrolling in provincial campuses (sub. 10). Indeed, overseas full-fee paying students (including primary, secondary and tertiary students) are not eligible for the Victorian Public Transport Student Concession Card (Metlink 2008).

While the lack of this entitlement may be viewed as a competitive disadvantage, it is only one aspect that international students consider when deciding to study

in Victoria. Factors such as the range and quality of courses offered, fees and the reputation of educational institutions are likely to be more important. As Australian and international students constitute a ‘living experiment’ for attracting and retaining the next generation of skilled workers, the government could usefully reflect on how its policies affect students.

## 5.4.2 Liveability and attracting capital

Recent studies have linked liveability to the location choice of businesses. A study for Invest Victoria (the investment promotion agency of the Victorian Government) identified liveability aspects — such as the quality of infrastructure and the living environment — as being broad factors that influence business location decisions (box 5.3). In a study on provincial business costs, Essential Economics (2006) found that liveability features were among the key factors that businesses consider in establishing operations in Victoria.

Moreover, these studies identified other key factors such as labour, planning, land, infrastructure and regulation. Inquiry participants also pointed to these factors.

- *Labour:* The commodities and housing booms have created skills shortages and increased labour costs in some sectors (Cement Concrete & Aggregates Australia, sub. 50, Civil Contractors Federation, sub. 17, attach. 1, Master Builders Association of Victoria, sub. 40).
- *Planning:* Some inquiry participants pointed to delays in planning approval processes which arguably have exacerbated land and housing shortages (for example, see Hobsons Bay City Council, sub. 13). Planning issues are discussed in chapter 8.
- *Infrastructure:* Some submissions pointed to issues in the area of transport and communications as impinging on the competitiveness of businesses (Construction Material Processors Association, sub. 18, Wellington Shire Council, sub. 24). Transport issues are discussed in chapter 9.
- *Regulation:* The City of Melbourne noted that regulation — and the costs it imposes on business — is one of the key criteria used to determine whether a location is competitive (sub. 41). Some specific regulatory issues are discussed in part B of the report.

Of course, the relative importance of factors influencing location choice is likely to vary from one type of business (or industry) to another.

### Box 5.3 **A study on Victoria's competitive strengths**

In a study for Invest Victoria, IBM Business Consulting – Plant Location International examined the cost and quality of a number of locations (including Melbourne and Victoria) from the perspective of businesses seeking to set up operations in new markets. The study identified a number of broad factors, including:

- the quality of a location
  - general business environment
  - local potential to recruit staff
  - presence of industry
  - language skills
  - human resource regulations
  - quality of infrastructure
  - availability of real estate
  - living environment.
- the cost of doing business in a location
  - investment costs
  - labour costs
  - property costs
  - utility costs
  - transport costs.

Based on comparisons of quality and cost measures with other locations, the study found that Melbourne and Victoria have competitive strengths in biotechnology, automotive, aerospace, dairy processing, financial services, service centres and information and communication technology.

Source: Invest Victoria 2004.

Information on Victoria's competitive advantages can assist in drawing the attention of prospective business investors. Invest Victoria provides a range of information and services to international investors looking to invest or reinvest in Melbourne and provincial Victoria. It provides general information about the state such as the business environment, infrastructure and the available workforce. Much of this information serves to highlight Victoria's competitive strengths.

Beyond providing general information, Invest Victoria can deliver information that is tailored to the specific needs of international investors. It provides information on market potential, the competitive environment, research and development capabilities, and available skills and costs. Invest Victoria can also identify for potential investors a range of available sites, suitable local suppliers and service providers. The local knowledge that Invest Victoria provides to prospective investors reduces their search costs and facilitates the due diligence

process. The Commission considers that this type of specific information enables better decision making by potential international investors, although they rely on their own business processes ultimately to inform location decisions.

## 5.5 Links from competitiveness to liveability (Link 2)

As noted in section 5.2, competitiveness is linked to productivity and economic growth. In a report prepared for the Commission, Urbis observed the positive relationship between productivity growth and prosperity which is an important aspect of liveability:

The level of productivity ... sets the sustainable level of prosperity that can be earned by an economy. In other words, more competitive economies tend to be able to produce higher levels of income for their citizens. ... a more competitive economy is one that is likely to grow faster over the medium to long run (Urbis 2008, p. 10).<sup>5</sup>

Banks (2008) noted that productivity growth largely determines the rate of growth in a society's living standards over the long term.

As shown by link 2 in figure 5.1, causation runs from competitiveness to liveability through the consequences of competitiveness. That is, improvements in competitiveness — which boost productivity growth and income per capita — can improve aspects of liveability. Higher incomes enable people to purchase more goods and services, enhancing some aspects of liveability. For example, people may spend their additional income on housing, consumer goods and recreational services (which are key components of Mercer's liveability measure (chapter 4)). Higher incomes may also generate more public funds to spend on community infrastructure and services. Moreover, productivity growth both uses and engenders improved technologies, thereby offering new products and services, better ways of doing things, greater choice and more capability of managing adverse side effects.

In addition to productivity, population growth and labour participation are important for economic growth (Henry 2007, 2008). Enhancing productivity and labour participation underpins intergovernmental initiatives being considered at the national level (COAG 2008). Reforms in areas such as infrastructure, regulation, health and education aim to improve productivity, boost labour force participation and raise living standards.

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<sup>5</sup> The full report can be found on the Commission's website: [www.vcec.vic.gov.au](http://www.vcec.vic.gov.au).

## 5.6 Potential tradeoffs between liveability and competitiveness (Link 3)

The links between liveability and competitiveness are not always beneficial. Identifying tradeoffs requires exploring negatively related linkages between elements of liveability and competitiveness.<sup>6</sup> Some submissions provided specific examples of potential tradeoffs. DPCD noted that tensions may arise between policies aimed at state-wide competitiveness and local priorities aimed at creating more liveable communities:

... economic competitiveness may require substantial arterial roads to carry large volumes of freight, whereas communities may demand greater priority is given to local amenity and to walking, cycling and public transport. (sub. 51, p. 28)

Planning is another example where tensions may occur between state and local priorities. Planning is discussed in chapter 8.

There are also potential tradeoffs between the outcomes of competitiveness (such as higher economic growth) and individual elements of liveability. If not properly managed, there can be significant tradeoffs between faster economic growth and key elements of liveability such as environmental quality, social cohesion and equity (link 3 in figure 5.1). Strong and prolonged economic growth can generate higher volumes of production, contributing to air, water and noise pollution, and sometimes resource scarcity. Pollution can also lead to a greater incidence of some health problems (OECD 2006). At the same time, it can be argued that as economies grow in size and sophistication, they have more resources, technology and community demand to tackle environmental issues.

While enhanced competitiveness can result in higher income per capita, some sections of the community may benefit more than others. The Lisbon Group point out that there is a risk that the excessive pursuit of competitiveness will damage vulnerable groups (DFT 2004). The OECD found that the generally strong economic performance of metropolitan areas often comes at a cost of inequalities and an erosion of social cohesion (OECD 2006).

That said, tradeoffs between economic growth and liveability often reflect the economic success of areas or cities. For example, successful cities may attract migration which places pressure on transport systems, leading to transport congestion. The OECD noted that concentrations of population that account for the dynamism of some urban areas also contribute to urban problems of

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<sup>6</sup> There can be tradeoffs between individual elements of liveability; for example, affordable housing may be located in suburbs that are not well served by public transport services — a factor which may depress housing prices.

congestion, poor environment and housing shortages (OECD 2006). In these cases, it is possible that the demand for infrastructure and services could be outpacing the planning and supply of these services. The City of Boroondara argued that ‘the capacity for Melbourne to grow has far outstripped the state government’s capacity to provide key infrastructure’ (sub. 48, p. 5).

There may be circumstances where improving liveability can have adverse effects on competitiveness. For example, increasing taxes to fund community infrastructure and services may improve liveability but higher taxes would add to business costs and diminish competitiveness. The City of Melbourne noted that taxes were a key factor affecting competitiveness (sub. 41). Similarly, regulation which seeks to safeguard workers and the environment may improve liveability for the community but increase costs for business and reduce competitiveness.

Such tradeoffs should be considered as part of economic, social and environmental assessment processes. That is, all relevant costs and benefits of a proposed project, program or regulation need to be assessed to determine whether there will be a net benefit to the community. As VicHealth argued, decision-making needs to take account of social, environmental and economic consequences (sub. 36). Applying the net benefit principle should generally lead to the efficient level of service provision. However, if some costs and/or benefits are overlooked or not adequately captured in such assessments, this is likely to lead to under- or over-provision.

## **5.7 Factors common to liveability and competitiveness (Link 4)**

Comparing the major factors included in well-known international measures of liveability and competitiveness can reveal the extent of commonality between liveability and competitiveness across the measures. Chapter 4 outlined the Economist Intelligence Unit’s (EIU) and Mercer’s liveability measures. There are also well-established international measures of competitiveness.

- The International Institute of Management Development (IMD) compiles the *World Competitiveness Yearbook* which assesses and ranks the ability of nations to create and maintain an environment that sustains the competitiveness of enterprises. The competitiveness index is derived from a number of key factors (IMD 2007, Rosselet-McCauley 2007).
- The World Economic Forum (WEF) prepares the *Global Competitiveness Report*. The global competitiveness index is based on 12 ‘pillars’ or factors of competitiveness. WEF defines competitiveness as ‘the set of institutions, policies, and factors that determine the level of productivity of a country’ (WEF 2007a, pp. 3–4).

The major factors included in these well-known measures of liveability and competitiveness are listed in table 5.2.

**Table 5.2 Major components of liveability and competitiveness**

<i>Liveability indices</i>		<i>Competitiveness indices</i>	
<b>EIU</b>	<b>Mercer</b>	<b>IMD</b>	<b>WEF</b>
Stability	Political & social environment	Economic performance	Institutions
Healthcare	Economic environment	Government efficiency includes <i>inter alia</i> :	Infrastructure
Culture & environment	Socio-cultural environment	<ul style="list-style-type: none"> <li>• institutional framework</li> <li>• societal framework</li> </ul>	Macroeconomy
Education	Health & sanitation	Business efficiency	Health & primary education
Infrastructure includes <i>inter alia</i> :	Schools & education	Infrastructure includes <i>inter alia</i> :	Higher education & training
<ul style="list-style-type: none"> <li>• transport</li> <li>• housing</li> </ul>	Public services & transport	<ul style="list-style-type: none"> <li>• health</li> <li>• education</li> <li>• environment</li> </ul>	Goods market efficiency
	Recreation		Labour market efficiency
	Consumer goods		Financial market sophistication
	Housing		Technological readiness
	Natural environment		Market size
			Business sophistication
			Innovation

Sources: IMD 2007, Mercer 2007, Rosselet-McCauley 2007, WEF 2007a.

At a high level, many of the factors in the liveability indices are also components of the competitiveness indices. Broad factors that are common across most or all of the indices include health, education, infrastructure, the economy and the environment. Another common factor is stability — although the various measures refer to it using different terms (such as the political and social environment, institutions, and institutional and societal frameworks).

The key implication of common factors is that policies or other actions that influence a common factor will affect both liveability and competitiveness (see link 4 in figure 5.1). The importance of common factors was recognised at the

roundtable discussions. Dr Nicholas Gruen of Lateral Economics observed that, where liveability and competitiveness overlap, this means that what is good for business is also good for people (Roundtable 1 transcript).

The competitiveness measures capture more factors that are relevant from a business perspective. That is, they include factors such as business efficiency, market efficiency, technological readiness and innovation which are not represented in the liveability indices. At the same time, the liveability measures include factors such as culture, recreation and socio-cultural environment which are either given less prominence or not represented in the competitiveness indices — although the relevance of these factors to the availability of an effective labour force seems clear.

An examination of well established measures of liveability and competitiveness shows that these measures are broadly related through a number of common factors such as stability, health, education, infrastructure, the economy and the environment. Policies or actions that focus on common factors are likely to influence both liveability and competitiveness. That said, there are sometimes tensions between elements of liveability and competitiveness.

## **5.8 Factors explored further in this report**

As noted above, there are multiple links between liveability and competitiveness. Using the approach outlined in chapter 2, the Commission has chosen to focus on a number of important aspects of liveability, including:

- community strength
- housing affordability
- urban planning
- transport
- information and communication technologies (ICT)
- environmental quality.

While the relative importance of these liveability factors is likely to vary between different types of businesses, it is possible to point to positively related linkages between these elements of liveability and competitiveness.

Community strength is a key aspect of liveability that contributes to the enhancement of competitiveness. A sense of community, safety and stability can be important in attracting people and business to a particular location. A recent report on creating liveable new communities stated that:

The ability for members of a community to interact with one another and form connections leads to the development of the social networks that underpin a healthy and safe community. (West & Badham 2008, p. 12)

The City of Melbourne stated that ‘social equity goes a long way to making a city feel more friendly and safe’ (sub. 41, p. 6). Conversely, social division, exclusion and disharmony are likely to reduce liveability and have adverse effects on competitiveness. The OECD noted that increasing socioeconomic inequalities, exclusion and poverty may adversely affect liveability and competitiveness (OECD 2006). Key features of strong communities are examined in chapter 6.

Affordable housing is central to attracting people (and workers) to a location and is therefore an important aspect of both liveability and competitiveness. Many studies that have examined location characteristics include housing costs and access to housing as key dimensions of quality of life (Rogerson 1999). The Master Builders Association of Victoria stated that ‘housing affordability is Victoria’s greatest obstacle to the creation of a liveable and competitive state’ (sub. 40, p. 5). The City of Melbourne also linked the availability of affordable housing in the inner city to the economic prosperity and competitiveness of the city and the state (sub. 41). The issue of housing affordability is raised in chapter 6 on strong communities.

Urban planning is largely concerned with the use of land, and thereby influences liveability and competitiveness. DPCD noted, for example, that the location of roads and public transport infrastructure strongly influences the functioning of a city and the location decisions of individual firms and households (sub. 51). Urban planning issues are explored in chapter 8.

An efficient and high quality transport system, which moves people and freight to their destinations in a timely and predictable manner, enhances liveability and competitiveness. The Royal Automobile Club of Victoria stated that ‘the safe and efficient movement of freight is important to the economic viability and liveability of Victoria’ (sub. 57, p. 5). Conversely, an inefficient transport system can result in excessive congestion which increases travel times and their variability. This would work to diminish liveability and competitiveness. In the Commission’s inquiry into transport congestion, many people saw congestion as an undesirable consequence of shortcomings in public infrastructure — both roads and public transport (VCEC 2006). Transport issues related to liveability are examined further in chapter 9.

ICT has played an increasingly important role in liveability and competitiveness in recent years. For example, the availability of high-speed broadband services has enabled individuals to access consumer, financial, educational and recreational services. It also creates opportunities for telecommuting affecting

location decisions and reducing the need for transport services. Broadband allows businesses to access information and services online and to more widely market goods and services. Several submissions to the inquiry highlighted issues related to the availability and quality of broadband and mobile phone services in provincial Victoria (MAV, sub. 22, Wellington Shire Council, sub. 24). ICT issues are explored in part B of this report.

The quality of the built and natural environment — a key aspect of liveability — can influence competitiveness. Inquiry participants identified climate change, and policies to address it, as a major concern and whose impacts are expected to affect liveability and competitiveness. The OECD noted that an attractive environment may contribute to the economic success of a city or area:

... advanced economic sectors are often engaged in a global competition to attract good staff, and these people would sooner choose to work in a pleasant city than a polluted, ugly, and crime-ridden one. The latter argument also applies to the attraction of tourists, an important form of actual or potential economic activity for many cities. (OECD 2006, p. 137)

Parks Forum argued that parks confer environmental and other benefits to society (sub. 16). The quality of water in rivers, lakes and catchments can also affect liveability and competitiveness. Intensified use of the water environment can result in problems such as excess nutrients, salinity, reduced flows and depleted oxygen levels with adverse consequences for liveability and competitiveness. Regulation can play a role in safeguarding the natural environment. Environmental quality issues are explored in chapter 10.

Although education is not examined in depth in this draft report, the availability and quality of education and training also affects liveability and competitiveness. Education and training influence the employment prospects and earnings potential of individuals. Some submissions (for example, City of Greater Shepparton, sub. 32, Wellington Shire Council, sub. 24) noted that the availability of education services may help retain young people in a location. Education and training, coupled with on-the-job experience, builds knowledge, skills and creativity which feed into productivity growth. Developing and attracting labour would help address current skill shortages and a projected reduction in labour force participation in the long term (Government of Victoria 2004b).

## **5.9 Summing up**

While there are many different concepts of competitiveness in the economic and business literature, as for liveability there is no universally accepted definition. In this inquiry, competitiveness has been interpreted as the ability of a location to

attract and retain mobile factors of production (such as labour and capital) and to develop and use mobile and fixed resources efficiently.

**The Commission has identified a number of key links between liveability and competitiveness.**

- **Liveability plays an important but varying role in location decision making for people and businesses. Liveability attributes can be a significant factor in attracting and retaining labour and capital resources in Victoria thereby enhancing competitiveness. The provision of specific information about the business environment and liveability in Victoria that is tailored to the individual needs of international investors can facilitate worthwhile investment.**
- **Competitiveness can influence liveability. Improvements in competitiveness increase productivity and income per capita which, in turn, enhance aspects of liveability.**
- **While improvements in competitiveness will often boost liveability and vice versa, there are sometimes potential tradeoffs. Enhanced liveability can add to business costs and diminish competitiveness. Conversely, improved competitiveness which boosts economic growth can place strains on social cohesion and the environment. This, in turn, can have adverse impacts on liveability.**
- **An examination of well-established measures of liveability and competitiveness shows that these measures are broadly related through a number of common factors such as stability, health, education, infrastructure, the economy and the environment. Policies or actions that focus on common factors are likely to influence both liveability and competitiveness (draft finding 5.1).**

These multiple linkages indicate that liveability and competitiveness are interdependent. Given the multi-dimensional nature of these concepts, there is a wide range of policies that can potentially affect liveability and competitiveness. Policies or actions that focus on improving liveability can have beneficial impacts on competitiveness. Liveability factors are explored further in part B of this report.

## 6 Liveability and strong communities

### 6.1 Introduction

In the Commission's view understanding the nature of strong communities and how they could be further strengthened is central to enhancing Victoria's liveability.

Many participants argued that the strength and cohesiveness of communities are key factors underpinning Victoria's liveability. For example, the Department of Planning and Community Development (DPCD) noted that:

What makes places liveable goes beyond economic and environmental advantages. Residents identify non-tangible assets such as trust, neighbourliness, civility and a welcoming environment as things that matter. Relationships between people, the respect in which local leaders are held, how local debates are conducted all matter to people and have an impact on liveability. And people identify notions of 'fairness' and inclusiveness in the attributes they value about places. (sub. 51, p. 16)

This chapter examines why strong communities are important to liveability, the key features of strong communities and how the combined efforts of governments, business and the community can build community strength.

### 6.2 Strong communities and liveability

The Ministerial Advisory Committee for Victorian Communities (MACVC), which prepared a report to the then Minister for Victorian Communities on *Strong Communities: Ways Forward*, argued that:

Communities are important because they:

- Are where people live and/or meet, both physically and virtually, and work.
- Are where children grow up and make friends.
- Shape people's identities and sense of belonging and provide the security and freedom to shape their futures.
- Are sites of learning and decisions about people's lives and environment.
- Provide other people to turn to for support and advice.
- Provide a place to contribute.
- Encourage network building to foster relationships that help people feel happier and healthier and improve their lives. (MACVC 2006, p. 27)

Many of these benefits flowing from participation in communities are important elements in describing the liveability of a place — the ability to interact with others, to contribute to society, to have the ability to contribute to decision making and have support networks are also part of what makes a place liveable.

The features of strong communities which enhance liveability are discussed further in section 6.3.

### **6.2.1 Strong communities and liveability from an individual's perspective**

Where strong communities exist, individuals are able to participate in decisions that affect them, have access to quality support networks and have the opportunity to contribute to social and economic activities and community organisations. DPCD highlighted the importance of participating in networks:

Participation in positive formal and informal networks supports people to become more active, confident and resilient and aims to marshal these attributes at the community level to create stronger social institutions, improved well-being and increased social and economic opportunities. (sub. 51, p. 9)

This can be particularly important for those individuals or communities who have not benefited as much from Victoria's sustained economic growth and prosperity — and who continue to have difficulties in accessing accommodation, employment and other services. For example, the Department of Human Services argued that for some Victorians, 'experiences of marginalisation and discrimination prevent full participation in social, economic and/or civic life, fundamentally reducing liveability' (sub. 59, p. 2).

The Community Housing Federation of Victoria noted that:

... towns or communities that have a low level of social capital will also have a low level of economic development. ... in metropolitan Melbourne, it is argued that despite our recent strong economic growth, some communities remain caught in a spiral of low school attainment, high unemployment, poor health, high imprisonment rates and child abuse. (sub. 25, p. 4)

Conversely, Vinson argued that the impacts of economic and social disadvantage can be reduced when local social bonds are strong:

... we have strong factual evidence, based on a sample of more than 37,000 residents of Victoria, that areas characterised by strong connections between people, and residents' involvement with their community, are localities protected from the most harmful consequences of social conditions like unemployment, low income and limited education. (Vinson 2007, p. 3)

In those circumstances, effective community strengthening interventions can break a cycle of disadvantage. For example, DPCD argued that:

... investment in liveability (re community strength) can drive a wedge in the cycle of disadvantage experienced in low socioeconomic communities. (sub. 51, p. 4)

On this, Vinson argued that ‘place effects’ — the net influence exerted by a locality on people’s wellbeing — are ‘particularly strong during the early stages of life and later adolescence’ (Vinson 2007, p. 4).

Further, when disadvantaged communities receive assistance, outcomes improve:

Relatively short-term supportive interventions (usually around two to three years) have seen crucial improvements, especially in young children. The elements of assistance provided have ranged from job training and work placement, to educational outreach, health services, parent support and the cultivation of social cohesion. (Vinson 2007, p. 3)

However, overcoming entrenched disadvantage takes time and persistent effort (Vinson 2007).

Disadvantage and social exclusion can have a geographic dimension, but can also exist side-by-side with wealth and advantage — often called scattered disadvantage. On this, the Victorian Council of Social Service (VCOSS) noted:

... liveability is not evenly distributed between all Victorians. A community may be very ‘liveable’ for some while being highly exclusionary for others. People with disabilities, carers, the elderly, young people, CALD [culturally and linguistically diverse] communities and Indigenous Victorians may have different priorities and needs from the physical and social environment in their community to ensure liveability. (sub. 46, p. 5)

Community resilience is an important aspect of community strength in dealing with hardship. Resilience is often thought of in terms of a community’s capacity to respond to shocks — infrequent, relatively large, and unpredictable disturbances such as natural disasters and major economic and technological shifts. In a study of social disadvantage in Victoria and New South Wales, Vinson found that:

While the degree of disadvantage of a locality may limit the life opportunities of its residents, some communities burdened by disadvantage appear more resilient than others in overcoming adversities. (Vinson 2004, p. 11)

Resilience is also indicated in a community’s capacity to respond to ongoing stresses — frequent, sometimes continuous, relatively small and predictable disturbances that can have large cumulative effects. On this, Black and Hughes argue that a strong community will be ‘resilient, responding to challenges dynamically and creatively’ (Black & Hughes 2001, p. 18).

## 6.2.2 Strong communities and liveability from a competitiveness perspective

Strong communities also enhance liveability in ways that can improve business competitiveness and the state's economic performance. The links between liveability and competitiveness were explored in more detail in chapter 5. The City of Melbourne noted that building community strength, while important for social reasons, is important to improved economic outcomes:

The positive impacts of a strong community, with well established and multifunctional networks that foster social trust and harmony have follow on effects for the competitiveness of Victoria. ... An harmonious, inclusive and welcoming state is one where businesses want to locate, where small entrepreneurs find a home and where the skills of immigrants are welcome and put to good use – all of which have positive outcomes for economy and competitiveness. (sub. 41, pp. 19–20)

The Productivity Commission has identified several mechanisms through which social capital (embodying, among other things, high levels of trust among people and strong social networks) — an outcome of strong communities — can enhance competitiveness and improve economic performance:

- by reducing transaction costs
- by facilitating the dissemination of knowledge and innovations
- by promoting cooperative and/or socially-minded behaviour. (PC 2003, p. 15)

Transaction costs involved in personal and business dealings can be more efficient in strong communities because of personal networks and high levels of trust among community members. Networks can reduce search costs as a person is more likely to know where to go for information and can enhance levels of trust which can reduce the need for formal contracts and reduces the need for monitoring and reporting outcomes in a formal way (PC 2003).

Strong communities with well developed social networks and strong interpersonal connections can facilitate the dissemination of information, improved information flows, help inform individuals' decision making, and facilitate market transactions (PC 2003).

In addition, strong communities can lead to greater stability of resident populations which can enhance the attractiveness of a location from a business perspective.

## 6.3 Features of strong communities promoting liveability

While the preceding section concludes that strong communities enhance liveability, the Commission has explored in more detail the features of strong communities that relate to liveability. This section considers the following features of strong communities which enhance liveability:

- connectedness
- cultural diversity
- local amenity
- access to services
- community engagement.

### 6.3.1 Connectedness

Identifying with a particular group or community, feeling connected, and having a sense of belonging have all been shown to underlie strong communities. West and Badham argued:

Confident and connected communities are interested and curious about what others are doing, drawing ideas and inspiration from others. They are willing to welcome and integrate newcomers. (West & Badham 2008, p. 13)

Connections between community members can exist in many dimensions — from highly personal interactions with family and friends, to more generalised societal level interactions including through employment, interests, ethnic origin or religious connections. While communities can be based in a particular location or region, ‘virtual’ communities can also exist — being people who interact via the internet.

Connections between existing social groups or networks can be the source of emotional support, practical assistance and provide other resources to community members. Activities such as volunteering, and participation in community based events and neighbourhood activities can support the development and strengthening of these relationships and networks.

In addition to strong connections within a community, external networks and connections with surrounding communities are important. The importance of connections between communities, both in metropolitan and provincial areas and between provincial Victoria and Melbourne was highlighted in submissions and during the Commission’s provincial roundtable discussions. For example, at the Shepparton roundtable John McLinden (Chief Executive Officer of Loddon Shire Council) argued that:

Within small townships social structures are very important to making them liveable and to making them attractive for people to come and live in. ... social structures do make townships nice places to live in and that really equals leadership in those communities. (Roundtable 2 transcript, p. 18)

Effective community engagement provides a way for communities to identify and assess issues and priorities, and take action to get things done — which in turn leads to better services and facilities to support close personal networks. Local governments can play a significant leadership role in developing social capital of this nature, particularly in provincial Victoria.

### **Creating connections in new communities**

During the course of the inquiry the Commission noted the challenges to creating connections in new communities, and in particular in new communities in Melbourne's growth areas.

These challenges arise, at least in the first instance, because these communities are being created 'from the ground up' — social networks and connection must also be built, and this can take time. West and Badham highlight the importance of building social networks and attachment in new communities:

In new communities, building social networks and attachment (the foundations of social capital) can contribute to the development of pro-social behaviour, augmented by design features such as sightlines, lighting and the generation of activity in public spaces. (West & Badham 2008, pp. 12–13)

This can be particularly important when people have no shared history of interests or goals to draw from. West and Badham note that many new developments are becoming:

... an increasingly popular relocation site for a diverse group of individuals and non-traditional household structures. (West & Badham 2008, p. 8)

Diversity of backgrounds can provide additional initial challenges for people moving to the new communities to connect with others or with existing networks and services in nearby locations.

### **6.3.2 Cultural diversity**

Cultural diversity has played a role in shaping Victoria's society and economy. Cultural diversity, whilst providing challenges in social relationships, is a source of potential opportunity and advantage and can foster diversity in ideas, skills, perspectives, networks and needs. West and Badham suggest that healthy social and cultural diversity can increase the sense of identity and cohesion for a community:

A healthy social and cultural diversity builds on strong understanding and trust between different groups, and brings many social capital benefits including an increase in sense of identity and cohesion for a community, the development of new networks, capacity and skill building for community members. In addition to strong internal networks, external networks and connections with the outside world including surrounding communities are important. (West & Badham 2008, p. 13)

The Victorian Multicultural Commission noted that Victoria is one of the world's most culturally and linguistically diverse communities — with over 40 per cent of Victorians having either been born overseas or having at least one parent born overseas (VMC 2008a).

The Victorian Multicultural Commission argued that multiculturalism is a 'foundation' for a more prosperous Victoria:

A community that is at ease with – and that welcomes – other cultures will attract new people, investment and skills. This is especially important in a globalised economy where countries are competing for highly mobile skilled migrants. (VMC 2007, p. 1)

For businesses, cultural diversity can provide increased access to international markets, contact networks, cultural knowledge for market development and can facilitate capital and technology flow.

Cultural diversity can also facilitate managing the implications of population growth in Victoria. As part of the growth in population is a result of immigration, new residents are able to draw on the knowledge and experiences of Victorians from a similar background.

However, an increasingly culturally diverse society can also create challenges. For example, diversity and change can also increase transaction costs of social and business relationships. The Ethnic Communities' Council of Victoria (sub. 20) highlighted particular problems facing people from culturally and linguistically diverse backgrounds, especially those from refugee backgrounds. This includes ongoing barriers to workforce participation (for example, overseas qualifications not being recognised or employers undervaluing overseas work experience), the lack of culturally-appropriate health services, and the lack of available and suitable public housing. The Commission is aware that these matters are receiving attention from both the Commonwealth and Victorian governments.

Community and cultural diversity can require careful consideration in the development of policies appropriate for the needs of particular communities. The Latrobe City Council observed:

A key challenge for government at every level is to develop policy which responds to the emergence of increasingly diverse communities. ... The Latrobe City Cultural and Linguistically Diverse Action Plan outlines a strategic approach that provides a commitment to continuous improvement for local needs. It is

important that culturally and linguistically diverse members of the community have access to culturally relevant and sensitive services provided by Latrobe City. (sub. 39, pp. 14–5)

### **6.3.3 Local amenity**

Amenity has been used to reflect those features of a place which make for a ‘comfortable and pleasant life’ (Macquarie dictionary) to encompassing broader issues of quality and aesthetics which can enhance attractiveness and increase satisfaction.

Often the amenity of places, locations or regions contributes to the overall character and the enjoyment of residents or visitors — and so can make an important contribution to the sense of place and belonging in a community.

A number of factors contribute to the amenity of places. This section focuses on the physical features and safety — which are often determined by urban design (chapter 8) and transport (chapter 9). Several submissions noted how amenity and ‘lifestyle’ factors are particularly relevant to the desirability and liveability of provincial areas (chapter 7).

#### **Physical features**

At the roundtables and in submissions, participants highlighted how the physical features of an area contribute to its amenity and strong communities. These can include the physical landscape or streetscape and the built environment — including the scale and dominance of buildings, and historic and cultural heritage. The UK’s Commission for Architecture and the Built Environment (CABE) noted that:

When properly designed and cared for, they [physical spaces] bring communities together, provide meeting places and foster social ties of a kind that have been disappearing in many urban areas. These spaces shape the cultural identity of an area, are part of its unique character and provide a sense of place for local communities. (CABE 2004, p. 22)

Town squares and community plazas can provide a focus for public events and social interactions leading to a ‘sense of place’. On this, Fed Square Pty Ltd asserted that Victorians have adopted Federation Square as their ‘civic, community and cultural heart’ and that national and international tourists ‘have embraced it as a strikingly modern and exciting public space’ (sub. 11, p. 1).

Physical features do not have to be large scale developments to enhance amenity and facilitate the building of strong communities. Local initiatives such as the development of well designed activity centres and retail precincts are also important to encourage participation in community activities and networks. The City of Boroondara noted that:

The idea of liveability for Boroondara invokes a sense of place that balances population growth with places that have well designed and effective infrastructure; places that are also accessible, inclusive and safe. There is a strong emphasis on community hubs, where shops, services, public meeting spaces etc are integrated and accessible to local communities. (sub. 48, p. 6)

The importance of ‘green space’ to urban communities has been widely acknowledged. Parks Victoria argued that open space is ‘the foundation of urban liveability’ — and underpins many social, ecological and economic benefits:

City living involves an extraordinary disengagement of humans from the natural environment that is likely to be detrimental to health and wellbeing. Parks may be the only means of accessing nature for the majority of people in urban areas, yet most people are unaware of their full range of potential health benefits. ... recent research shows that ‘green nature’, such as parks, can reduce crime, foster psychological wellbeing, reduce stress, boost immunity, enhance productivity, and promote healing. In fact, the positive effects on human health, particularly in urban environments, cannot be over-stated. (sub. 7, attach. 3, p. 1)

On this, Anna Piatkowska argued that public open space is ‘precious’ and bound up with liveability:

Public open space should be just that — ostensibly vacant except for non-commercial, life-enhancing elements: shade; shelter; rest areas; drinking water; views; room to move as an individual and not a herd to be contained, directed and milked simultaneously of individuality and cash. These life-enhancing elements were well understood by our predecessors, who boldly and generously made provision for them. (sub. 42, p. 2)

The Municipal Association of Victoria (MAV) noted the importance of providing space for sport and recreation:

Sporting and passive recreation facilities are an integral part of liveable localities. Most areas of Victoria are well serviced by parks and ovals for these pursuits; however, the current drought is placing organised sporting competitions at threat. (sub. 22, p. 19)

The City of Boroondara also noted the potential effects of drought on sporting fields, and the flow-on effects to the community:

... if it is not possible to adequately ‘drought proof’ sporting fields, this will have implications for organised sport social networks established by young people and the physical fitness of individuals. (sub. 48, pp. 14–5)

The Commission observes that the current restrictions on watering sporting fields can have long-term social effects by removing a source of social development for many young people. This is an example where the full costs and benefits of a regulatory restriction including potential social costs need to be carefully considered.

Conversely, poor planning and design of public spaces and services can lead to ‘a lesser sense of community identification and pride, unsafe environments, all affecting the ability of a “place” to realise its full potential’ (Bayside City Council, sub. 15, p. 2).

The City of Boroondara argues that there is ‘limited consideration’ of the varying needs of the community within the Victorian State Planning Policy Framework — and that policy to guide local councils in managing and planning for community services and facilities, including considering the impacts of development on diverse communities, ‘is lacking’ (sub. 48, p. 20). In particular, while councils can undertake a range of projects that seek to recognise the social needs of a diverse community in planning, state policy to assist local governments to incorporate the findings of such studies into the planning and management of land use is required (sub. 48, p. 21). The general issue of resolving state and local government perspectives on planning issues is developed in chapter 8.

## **Community safety**

Another component of amenity is the ability of people to lead their lives free of nuisances, such as unwanted noise or disruptive behaviour and crime. Victoria Police highlighted the importance of having a predictable and stable environment:

A predictable and stable environment enables people to enjoy their homes, their neighbourhoods and their local community. It provides them with the freedom to go about their business unimpeded and without apprehension, when they are shopping, socialising with friends, or travelling, at any time of the day or night, whether by public transport or on foot, in any neighbourhood or public space. (sub. 47, p. 2)

Victoria Police argued that public safety is important in attracting ‘people to live and invest in Victoria and in order to encourage people from around the world to visit here in the future’ (sub. 47, pp. 6–7).

The City of Melbourne suggested that where people are concerned about their safety, this can lead to isolation and division within a city:

Trust is also an important feature to consider in city planning ... Fear for one’s safety can lead to feelings of isolation and make citizens likely to fortress themselves within what feels less and less like ‘their’ city. This, in turn, increases both the feelings of isolation and real divisions within a city. (sub. 41, p. 9)

Inquiry participants raised specific concerns about the impact that precincts with a large number of high capacity, licensed venues have on public safety and amenity. On this, the MAV argued that:

For Melbourne’s inner city councils the tension between residents living close to licensed premises or entertainment precincts and reported antisocial behaviour resulting from late night liquor licences is a growing issue. (sub. 22, p. 17)

Victoria Police also noted a recent increase in public order offences — with a high number of these incidents occurring at night and during times of high alcohol consumption:

... the Queen Street area of Melbourne was recently identified by Victoria Police as being an area of particular concern. This (relatively) small area presently has at least 12 licensed venues, with a combined licensing approval capacity for more than 7000 patrons. There has been a significant increase in the incidence and intensity of drunken and violent anti-social behaviour in this area in recent times, which could potentially diminish the area’s reputation and adversely affect investment and the overall liveability of the surrounding areas.

... The Docklands development, only 40 per cent completed, is already experiencing conflict between local residents and business operators, particularly those related to licensed venues. The co-location of residential premises, established business and a burgeoning entertainment culture will continue to create challenges in the future. (sub. 47, p. 7)

The Commission notes that the sale of liquor, including through entertainment venues, affects both public health and amenity, two important components of a liveable environment. Amenity is itself a complex concept, and licensed premises contribute both positively and negatively to amenity. On this, Professor John Nieuwenhuysen, the architect of the current institutional framework, argued:

Melbourne’s renaissance over the last twenty years, with the rise of cafe, restaurant, and small bar culture and society, which has transformed the city and some suburbs, is the envy of other parts of Australia. But this growth of European style premises has a shadow. The liberalising liquor laws of 1988 and the new associated planning procedures have also created large scale premises accommodating as many as 1000 revellers — nightclubs which stay open all hours and whose patrons are a threat to the community when they emerge in droves. Violence and fear of attack in the areas of the city (for example, King Street) where there are collections of clubs, require stronger control (Nieuwenhuysen, J, Monash Institute for the Study of Global Movements, pers. comm., 14 February 2008).

The Commission notes that the Victorian Government has released *Victoria’s Alcohol Action Plan 2008–2013* to address alcohol-related harm in the community. A number of initiatives relate to public safety, including those that seek to:

- change the acceptance of intoxication and drunkenness and to reduce risky drinking in the community, including through sustained community awareness campaigns to encourage a safe and sensible approach to alcohol use

- ensure that licensed premises meet their obligations and responsibilities in creating a culture that supports appropriate and responsible alcohol use — including through enhancing compliance and enforcement of the *Liquor Control Act 1998* (Vic.) and reviewing liquor licensing fees with consideration given to a differentiated risk-based fee structure
- address public safety and amenity in entertainment precincts and on roads, including through trialling late-hour entry restrictions and introducing a freeze on late-night liquor licences (Government of Victoria 2008c).

The Commission notes that a risk-based fee structure is a good example of harnessing market incentives for regulatory purposes.

### 6.3.4 Access to services

The strength and cohesiveness of a community is often prejudiced when members do not have access to services that allow them to participate in economic, social and community activities. Such services include: child and maternal health centres, education, recreational facilities, banking, aged care, transport and information and communication technologies (ICT).

Access to human services such as health services, child care and aged care are particularly important to liveability. In many of these areas all three levels of government are involved in the funding and provision of these services.

The City of Boroondara observed that:

It is apparent that metropolitan cities face the prospect of a significant inner/outer divide between the well-off and well-located in terms of access to services, and those households on lower incomes with poor access to public transport and services located to the margins of cities. Locational disadvantage will compound the economic and social problems faced by poorer households and result in potential loss of personal well being. (sub. 48, p. 14)

### Transport

Lack of transport is consistently rated by rural, regional and metropolitan fringe communities as ‘one of the most significant barriers to accessing services, employment and social networks’ (DVC 2007a, p. 18). Transport issues are discussed in more detail in chapter 9.

The Department of Infrastructure/Department of Transport (DOI/DOT) noted that the increasing difficulty in providing all Victorians access to a variety of transport modes and, as a result, incidences of ‘transport disadvantage’ are starting to spread (sub. 52, p. 18).

While this is a concern broadly, it can create particular problems for those people with special transport needs. DOI/DOT argued that:

In addition to locationally based transport disadvantage, specific societal groups also experience transport disadvantage, particularly the aged, young people, people with disabilities, newly arrived immigrants or refugees (particularly women) who do not speak English and people in low income households (who often have one or more of the characteristics identified above). (sub. 52, p. 18)

Access to local transport, including taxi services is a particularly important element of transport contributing to community strengthening (see chapter 9 and appendix E).

Youthlaw highlighted the importance of accessible transport for young homeless people to ensure ongoing connection with services and with the community:

Where there is a lack of local service provision, access to public transport to travel longer distances is important enabling young people in poorly resourced outer metropolitan regions to remain linked with a range of city-based support services and maintain some sense of connection with the community. (sub. 30, p. 2)

DOI/DOT is implementing a number of targeted initiatives to try to mitigate the transport disadvantage experienced by marginalised groups (sub. 52). This includes improving access for people with physical disabilities (such as introducing low-floor trams and tram platform stops, introducing new fully-compliant trains in metropolitan and regional networks, upgrading or refurbishing major train stations and improving signage). DOI/DOT has also developed a policy framework for assisting older Victorians to stay mobile as part of a broader strategy of extending the enabling transport infrastructure that caters for all people, while also promoting alternatives to private car use.

## **Information and communication technology**

The Commission has observed the important role that ICT play in people's lives. For example, Multimedia Victoria argued:

Being a general purpose technology, ICT is widely used across a diverse range of industry and service sectors, thus allowing ICT to impact on liveability in a number of direct and indirect ways. The use of ICT in service sectors, such as health and education, to enhance service delivery, and the fact that ICT is becoming embedded in "everyday" devices demonstrate ICT's unique ability to affect the many different facets of liveability. (sub. 61, p. 3)

The Commission considers that ICT is a powerful tool to help build networks and strengthen communities. On this, the Victorian Government highlighted the social and economic benefits that the internet offers to individuals and communities:

... communication networks are important tools in reducing community isolation, meeting community needs, strengthening communities and encouraging community participation and engagement by individual Victorians. (Government of Victoria 2004a, p. 21)

Currently Victorians can access the internet from a wide range of locations, including their home, workplace, schools, public libraries and community centres and, increasingly, through newer technologies. Community Indicators Victoria analysis found that approximately 79 per cent of respondents indicated that they had some form of internet access but that fewer provincial Victorians have access to broadband and are more likely to rely on dial-up internet connections (chapter 7).

However, continuing inequities exist in internet access and usage (Government of Victoria 2004a). In order to reduce these inequities, the Victorian Government's *Connecting Communities* framework and programs (2001, 2004) set out strategies and initiatives to provide access points for people to use the internet, provide training to develop skills to access and use the internet and encourage 'more relevant and useful content to be developed by and for communities' (DPCD 2008d).

The Commission notes the pioneering role of public libraries in providing access to the internet when the technology was relatively new. As a next step the state and local governments could consider expanding access to WIFI internet access in public libraries. The Commission notes that Victorian Government's 2008-09 budget provides \$3 million for local libraries to, among other things, provide secure wireless internet access (Government of Victoria 2008d).

### **6.3.5 Community engagement**

The MAV noted the importance of involving local communities in planning and decision making:

Community development is moving towards a model where bottom-up community planning will increasingly drive the budget and program decisions of all levels of government. Focussing on empowering the community to build coalitions of support for projects and initiatives and creating forums in which they can express their needs to government will have a demonstrable effect on the level of community engagement as well as the success of policy outcomes. (sub. 22, p. 18)

This reinforces the importance of opportunities for people to engage with decision-making processes and have a role in shaping their own lives and the life of their community. On this, the Outer Suburban/Interface Services Development Committee (OSISDC) noted:

Participation in decision-making has value in building relationships between people and fostering trust, ownership and empowerment. (OSISDC 2006, p. 41)

In addition, including residents or community members when identifying issues, and considering solutions or alternatives leads to better informed decisions, helps

build relationships between people and foster trust, ownership and empowerment. It can also result in outcomes that are better targeted to people's needs, which is particularly important when the community is itself diverse.

A number of inquiry participants highlighted the important role for local governments in connecting to, or facilitating, the 'voice of the community' (section 6.4.3). This highlights the importance of subsidiarity in community engagement and hence in enhancing liveability (chapter 3).

### **6.3.6 Housing affordability**

As noted in chapter 2, housing is a key part of the built infrastructure. A number of submissions considered housing affordability to be a major issue affecting liveability and competitiveness in Victoria (for example, see City of Whittlesea (sub. 28), Master Builders Association of Victoria (sub. 40)). Housing affordability is also a key factor in attracting and retaining skilled labour (chapter 5).

Housing affordability in Victoria has deteriorated significantly over the past decade; that is, housing has become less affordable (appendix C). While home owners and investors generally have benefited from appreciating property values, the deterioration in housing affordability has adversely affected the ability of many first home seekers to purchase a home, especially in many inner and middle suburbs of Melbourne. That said, there is evidence that houses in the growth areas of Melbourne and regional centres are relatively more affordable.

At the same time, Australian data indicates that rental affordability (as measured by rent-to-income ratios) has deteriorated over the past two decades for renter households of all income levels. Of the households considered to be in housing stress, the majority are low-income renters (appendix C). Inquiry participants also pointed to availability, quality and access issues in the private rental market which particularly affect disadvantaged groups in the Victorian community (Roundtable 5 summary).

Given the significance of housing to liveability, the Commission considers that measures of housing and rental affordability should be included in the suite of liveability indicators recommended in chapter 4. The collection, monitoring and annual publication of these measures would inform state and local government policy development and decision making.

## **6.4 Building community strength**

The MACVC's report on strong communities adopted Professor Mark Considine's definition of community strengthening:

Any sustained effort to increase connectedness, active engagement and partnerships among members of the community, community groups and organisations in order to enhance social, economic and environmental objectives. (MACVC 2006, p. 26)

Building community strength comes about from the sustained effort of local people, community organisations, businesses and all levels of government.

### **6.4.1 The community sector**

Clubs, community groups and non-government organisations play a role in Victorian communities. The *Stronger Community Organisations Project* noted:

... community organisations contribute to the Victorian community through a variety of activities such as supporting individuals and families; offering sporting, recreational and cultural opportunities; and providing a vehicle for members of the community to express their views. As well as meeting and expressing the needs of the community in a wide range of areas, these contributions also enhance the 'connectedness' of a society and improve civic participation. (SCOP 2007, p. 29)

In April 2008, the Victorian Government announced its action plan for strengthening community organisations based on extensive consultation and two reviews: the *Stronger Community Organisations Project*, led by Professor Alan Fels; and the *Review of the Not-for-Profit Regulation* undertaken by the State Services Authority (section 6.4.3). In doing so it recognised:

... the invaluable knowledge and relationships that these organisations create in Victorian communities, and the level of engagement that many of them have with minority groups and marginalised communities whose engagement with mainstream institutions may be limited. (Government of Victoria 2008b, p. 5)

It is estimated that there are more than 120 000 community organisations operating in Victoria (SCOP 2007).

Victoria's community organisations are active in a diverse range of areas — including health and community services, cultural groups, sporting organisations and the arts — and are diverse in terms of the size, purpose and range of activities undertaken, the sources of funding, and the nature of organisational arrangements. These can range from small grassroots groups that are run entirely by volunteers, through to much larger organisations.

The community sector's activities often involve exposure to and interaction among a diverse range of people from different backgrounds and can help create social capital (section 6.3.1). It can also involve people in decision-making in local areas which can improve community life (section 6.3.5).

Community organisations can help strengthen communities by providing an opportunity for people to connect with others and enhancing a sense of belonging. For example, the OSISDC noted:

Community sector organisations make important contributions to both social wellbeing and the democratic system, beyond the value of the essential goods and services they provide. Community groups create social capital by providing opportunities for people to volunteer and participate in local activities, mix with others and build trust and a sense of belonging. (OSISDC 2006, p. 89)

A key role in strengthening communities played by community organisations is to reduce isolation within society, for example, neighbourhood houses and senior citizens clubs. Social isolation can become more important as ageing increases, with an increasing challenge for aged people to ‘age in place’ and remain physically and socially active in their local communities. Community organisations also facilitate the social inclusion of members of culturally and linguistically diverse communities.

In the growth regions of Melbourne, community groups are important producers of the ‘sense of community’. In areas where there are many young families — playgroups, toy libraries, kindergartens and community groups are valuable ‘entry-points’ into the community for new residents and rich sites of social interaction (OSISDC 2006, p. 90). For example, new mothers groups facilitated by maternal and child health centres also create support mechanisms and social interaction opportunities for new mothers. Sport and recreation clubs are also important community focal points in the outer suburbs and provincial areas (OSISDC 2006, p. 90).

Aside from formal organisations, informal networks of friends and neighbours are central to the strength of communities. On this, the OSISDC noted:

These networks are marked by neighbourly acts such as holding a neighbour’s spare key, lending tools or minding a pet. These are basic but valuable social interactions which occur independently of organisations. (OSISDC 2006, p. 24)

## **6.4.2 Corporate citizenship**

Organisations — be they corporations, governments, or community groups — can be seen as ‘corporate’ citizens in a community in that they are entities with whom individual citizens interact and whose actions in the provision of services and other dealings have an influential role in the community and affect wellbeing and liveability. St John of God Health Care noted:

Increasingly, companies and organisations worldwide are recognising the widespread benefits of a more concerted approach to achieving balance between their organisational objectives and important social, cultural and environmental responsibilities. To do this, organisations are engaging with multiple

stakeholders to ensure that their operational success goes hand in hand with enhancing broader community and social wellbeing, which in turn is often a factor in their success. (St John of God 2008)

In some cases, the impact that corporate citizens have on the community is highly localised. For example, at its roundtables in Shepparton and Traralgon, the Commission heard of how local small businesses are strongly connected with their communities — and the benefits that this provides to the community and those businesses. Many organisations interact with communities across the state. The Commission is also aware that many larger businesses have also become increasingly involved in community building activities, by donating to causes that ‘give something back’ to the community, through sponsoring particular events, through staff volunteering programs, or perhaps more importantly, through a strong sense of responsibility for their impact on the community.

The Parliamentary Joint Committee on Corporations and Financial Services (PJCCFS) suggested that, while there is a wide range of influences governing the behaviour of companies and organisations, the dominant factor that drives corporate responsibility is market forces, coupled with community pressure. In particular, PJCCFS stated:

As community and financial market expectations of what constitutes good corporate behaviour change and evolve over time, in most cases corporations respond by modifying their operations and activities accordingly. ... Companies that embrace the concept of corporate responsibility are realising that the long term financial interests of a company are ‘not mutually exclusive’ with acting fairly in the interests of stakeholders (other than shareholders). ... Indeed for some companies, considering broader stakeholder interests can have a significant benefit for their long-term financial position. (PJCCFS 2006, p. 20)

In whatever way corporations, government agencies, community groups and other organisations engage with the community, the breadth of their corporate activities involves a wide range of community interactions with liveability consequences. Organisations generally understand that their corporate actions affect community wellbeing.

For private sector organisations, community wellbeing will often be served by the provision of goods and services in a competitive market. From this flows the satisfaction of needs, employment and innovation, and through the meeting of shareholder expectations, the provision of capital and the sustainability of business. Where service or quality falls short of consumer demands, market disciplines will normally engender necessary improvements. Many organisations will, for a variety of reasons, extend their interactions with communities beyond market transactions, although no doubt conscious of any attendant higher costs. Being seen to be a good corporate citizen has become an important element of strategies companies adopt to win consumers and investors and help to motivate, attract and retain staff.

Organisations that have no concern for adverse impacts on community wellbeing may detract from liveability for the community; for example, poor services, lack of responsiveness to service failure reports, poor quality products, and environmental impacts. Generally, the market, if fully informed, is the best driver for good corporate citizenship and government intervention is appropriate to those circumstances where the market is ineffective in protecting the community. Organisations that recognise corporate citizenship responsibilities, whether driven by market concerns or more altruistic motives, not only lessen the need for government intervention but arguably benefit from their contribution to the development of strong communities.

For not-for-profit community organisations, their very existence is premised on good corporate citizenship. Government intervention can however be necessary to ensure some oversight of these organisations in their representations to the community in the absence of market mechanisms, and also to remove unnecessary impediments to their beneficial activities. The Victorian Government has taken recent steps in the latter regard.

For public sector organisations, in the absence of market disciplines, measuring effectiveness and performance as it affects liveability is difficult. Monopolistic services, whether public or private, are subject to a range of government accountability mechanisms. A regular assessment of current service standards and the use of service charters by the State Services Authority could throw further light on this issue.

The Commission concludes that ‘good’ citizens, both individual and corporate, are essential to strong communities, contributing to the development of social capital, building community wellbeing and enhancing liveability. The roles of corporate citizens, which reach into most aspects of community life, can have a particularly strong impact.

### **6.4.3 Governments**

Governments support community strengthening through a range of initiatives and programs (see box 6.1). These include initiatives that seek to engage communities, increase participation, involve communities in governance, and change the way governments deliver services to be flexible to local needs, and reviewing unintended effects of regulation.

They can also play a role in reducing obstacles that could otherwise hinder efforts of individuals, community groups, and institutions. For example, the Commission found in its report on food regulation that moves to adopt a risk based approach to food regulation will reduce the regulatory burden on a significant number of ‘low risk’ community groups — who would no longer be

required to develop food safety plans and would benefit from simplified record keeping and educational requirements (VCEC 2007a).

## **Existing Victorian Government initiatives**

The Victorian Government has a number of major overarching policy initiatives which have an impact on community strength. While there has been a diverse range of programs and initiatives (box 6.1), three principles underpin the Victorian Government's approach to strengthening communities. They are:

- the importance of investing in community strengthening activities
- the need to develop integrated local approaches to planning and delivery of services
- the requirement to change the way government works, both within government and with the community sectors (DPCD 2008e).

*Growing Victoria Together* (GVT) seeks to articulate the issues that are important to Victorians, and the priorities the government has set to make Victoria a better place in which to live, work and raise a family. Of these, a number relate directly to building stronger communities including building friendly, confident and safe communities, greater public participation and more accountable government (chapter 1).

*A Fairer Victoria* is part of the Victorian Government's long term social policy action plan for tackling disadvantage and creating opportunities for all Victorians. It includes a number of 'place-based' strategies designed to build stronger communities and improve the liveability of disadvantaged areas, as well as 'population-based' policies that focus on groups with specific needs (box 6.1). The Victorian Government also provides support for volunteers recognising that volunteering is at the heart of a strong community. For example, the Volunteer support grants program provides funds for activities that support, extend and sustain volunteer activity, to better share information and resources and to strengthen community connections and partnerships (DPCD 2008c).

## Box 6.1 Existing Victorian Government initiatives

**'Place-based' approaches** to community building seek to respond to community needs and priorities that have been identified by local residents.

The *Neighbourhood Renewal* program aims to tackle disadvantage in communities with high concentrations of public housing, and disadvantage. There are currently 19 project areas around Victoria and each develops an area-based community action plan that prioritises local issues, and collaboratively develops strategic solutions and actions.

The *Community Renewal* program is directed at declining urban neighbourhoods in rapidly changing suburbs without high concentrations of public housing — and seeks to help these communities get actively involved in improving the places in which they live. There are currently eight community renewal sites. Under the program, local governments are funded to employ locally-based workers who bring residents, different levels of government, local businesses and other organisations together to develop an action plan for the community.

The *Community Building Initiative* (CBI) is directed at strengthening small rural communities by bringing local residents together with government and community agencies to plan for and address local needs, build leadership and foster community networks. There are 19 CBI projects. Under the program, a community facilitator guides and supports local organisations through a community building process. In addition, the Macpherson Smith Community Alliance (an alliance between the Victorian Government and the Helen Macpherson Smith Trust) provides seed funding for projects that have evolved out of the CBI process.

The *Transport Connections* program provides funding to help communities develop innovative approaches that can make participation in community life easier for people with limited access to transport. It seeks to develop localised solutions that make better use of existing transport resources.

**'Population-based' approaches** focus on investing in capacity building and participation, governance networks, social and economic inclusion, and access for groups with specific needs within the broader community.

The *State Disability Plan* outlines the right of people with disabilities to live and participate in the community on an equal basis with other citizens of Victoria. The plan emphasises that to create the most opportunities for community participation, the government, community and business must support communities to be more inclusive and accessible.

The Victorian Multicultural Commission Grants Program provides funding to support community organisations undertaking projects to strengthen multicultural communities. In 2006-07 the community grants program supported more than 1600 community groups and organisations through funding to support community initiatives, as well as supporting 900 local festivals and events.

Sources: DPCD (sub. 51), DHS 2008, DPCD 2008a, DPCD 2008b, DPCD 2008f, VMC 2008b.

The government has also sought to build stronger communities by making it easier to work with government — through improving the accessibility and responsiveness of state government services and streamline and simplify the workings of government. This includes:

- aligning the State Government’s administrative boundaries with local government boundaries and establishing eight standard departmental regions — to create a ‘more sensible and straight forward’ set of responsibilities and relationships between levels of government and different types of government agencies
- establishing a high level administrative network (Regional Management Forums) in each region (discussed further in chapter 7) to bring regional state government departments together with regional local governments to focus on identifying opportunities for joint action
- bringing together groups of departments, local governments, businesses and the community sector to develop and implement local innovations in service design and delivery (sub. 51, p. 22).

In April 2008, the Victorian Government released the *Action Plan: Strengthening Community Organisations*. This outlines the government’s response to two earlier reviews — the *Stronger Community Organisations Project* (SCOP 2007) and the *Review of Not-for-Profit Regulation* (State Services Authority 2007).

The action plan has two objectives:

1. to ensure that, in its direct interactions with community and non-profit organisations, government acts in ways which are simple, easy to navigate and designed to optimise value to the community
2. to create an environment for community organisations to also invest in their own capabilities and long term sustainability.

It includes 25 actions, grouped under five broad themes:

- reducing the regulatory burden and streamlining interaction with government
- building the capacity of community organisations
- supporting innovation and growth
- enhancing the role of not-for-profit organisations in local community life
- recognising community organisations and coordinating effort across government (Government of Victoria 2008b).

Existing Victorian Government initiatives and programs support community strengthening in a range of ways. Ensuring that these programs remain relevant, and targeted to where they can have the most effect, is facilitated by an evidence-based approach to policy formation and implementation. A liveability monitoring process would assist in ensuring the continued relevance of such programs.

## **Local governments**

MACVC (2006, p. 35) has argued that 'local government is central to community strengthening'. Local governments are responsible for local democratic leadership, local services, and for administering many diverse programs, policies and regulations of the state and federal government which influence aspects of liveability.

The MAV noted that local governments' involvement in economic development and the provision of social services (including health and welfare services, community housing, recreation and sporting facilities) 'has been increasing over recent decades' (sub. 22, p. 5). In addition, it argued that:

As the closest level of government to the community, local government has a central role in building and sustaining communities through participation. Councils shape the conditions in which voluntary associations, strategic partnerships and social networks develop and thrive and they support a wide range of associations, community groups and businesses within their local area. (sub. 22, p. 18)

MACVC argued that one of the essential elements in a systematic approach to community strengthening was:

A local government led, inclusive community planning process as the key mechanism by which communities' interests, aspirations, needs, visions, values, and priorities are articulated and actioned. (MACVC 2006, p. 8)

In addition, the Bayside City Council argued that local government is:

... well placed and attuned to local community aspirations and expectations on matters such as open space, quality of urban design execution in public spaces, provision of community facilities and meeting places for social, cultural and recreation purposes etc. (sub. 15, p. 1)

This local understanding can be particularly important in provincial areas. For example, the MAV argued:

The challenges facing metropolitan and regional councils are often distinct. Partly this is influenced by the expectations people have of councils in capital cities versus smaller or regional communities. (sub. 22, p. 5)

Councils all have to respond to local community needs and have powers to set their own regulations and local laws, and provide a range of discretionary services. The liveability of communities is central to all government decision making but must be the key issue in the leadership provided by local governments for their communities.

## **Coordination and integration**

The challenges to building stronger communities are complex, often the responsibility of multiple government agencies and multiple levels of governments. MACVC argued that a systematic program for strengthening communities requires:

A system that emphasises the integration of policy, practice and resources at the state, regional and local level. (MACVC 2006, p. 8)

In this context, the Bayside City Council highlighted the link between different levels of governments:

Local Government plays a key role in creating a sustainable and liveable environment, but there needs to be a clear understanding of the role between State and Local Government ... Local Government has experienced significant levels of cost shifting from Federal and State Governments, at a time of rising community expectations as to both the quantum and quality of what it delivers. Council currently experiences a heavy burden fulfilling its planning role due to the high level of development activity in a prime municipality, and the need to plan for local interpretation of State intentions, such as Metropolitan Strategy – Melbourne 2030. (sub. 15, p. 1)

At the roundtable into strong communities, participants indicated that greater collaboration and communication will help to ensure that governments are able to meet their community building objectives in a forward looking and strategic manner (Roundtable 5 summary). The further development of ‘place-based’ initiatives (box 6.1) should be of assistance in this regard. The Commission notes that the partnership model for integrated planning in Caroline Springs provides an innovative ‘place-based’ approach to planning and delivering services (box 6.2).

### **Box 6.2      Strengthening local communities: the Caroline Springs Partnership**

Caroline Springs is located on the metropolitan fringe in the Shire of Melton.

In January 2005 the Caroline Springs Partnership was established between the Shire of Melton, Delfin and the then Department for Victorian Communities to trial a new way of planning and delivering infrastructure and services. The model is a ‘place-based’ approach that was focused on developing new systems for the integrated planning and delivery of services and infrastructure.

The activities of the Caroline Springs Partnership were evaluated in 2006 and 2007. The review found that the model had been a success — in particular:

- a strong network now exists, with partners having a high level of trust and confidence in others
- the partnership provided a forum for open discussion and negotiation and kept ‘parties focussed on the ultimate community outcomes’
- the partnership led to better decision making because communication reduced the duplication of effort and maximised the knowledge of opportunities, there was greater transparency and greater ownership of the process and outcomes
- the partnership had led to innovation and opportunities that would not have been available or considered otherwise — and that which can now be showcased to developments in other areas.

Source: DVC 2007b.

The success of ‘joined up’ approaches depends, in part, on having shared purpose, extensive levels of interagency trust and shared responsibilities and rewards. Effective accountability requires the establishment of governance structures, incentive systems and reporting arrangements that might cross traditional boundaries and operating paradigms.

The Commission notes that the Growth Areas Authority (GAA) has been established to guide sustainable development in Melbourne’s five outer growth areas. The GAA seeks to address some of the coordination and integration issues in these communities — and works with Victorian Government agencies, local councils and developers to ensure planning issues are managed in an effective and timely manner (chapter 8).

## 6.5 Summing up

The topic of community strength and its relationship with liveability attracted a great deal of comment in submissions to the inquiry and at roundtables. There is a wealth of literature available and the Commission assessed this material as it relates to the specific terms of reference for this inquiry.

Overall, the Commission notes the widespread emphasis that strong communities are a key element of liveability and have benefits for both individuals and business competitiveness.

**The features of strong communities that are prominent in promoting liveability are:**

- **community connectedness — there are particular challenges in building community connectedness in new suburbs and greenfields developments**
- **well managed and integrated cultural diversity**
- **amenity and place, including community safety**
- **access to services, in particular transport and information and communication technology (draft finding 6.1).**

*The Commission seeks examples of the benefits of information and communications technology in strengthening communities and in enhancing liveability throughout Victoria. (Information request)*

These conclusions provide some insight as to areas where efforts can be focused to improve the strength of communities and hence improve Victoria’s liveability. In exploring ways of building community strength the Commission concluded that:

- the community sector has a role to play in building community strength and enhancing the state’s liveability
- ‘good’ corporate citizens can help build community strength and so improve liveability

- all levels of government have a role to play in strengthening communities. There are many government initiatives underway in Victoria and these initiatives need to be integrated to improve community accessibility and to build on the strengths of the state and local governments.

**In further pursuing the objective of strengthening communities, the government should:**

- **expand the GVT reports to include information relevant to community strengthening, for example, by further enhancing measures of housing and rental affordability**
- **ask the State Services Authority to assess the use of service charters and other approaches to improving service standards in government agencies (draft recommendation 6.1.).**

Community strength is a pervasive part of liveability and a key aspect therefore of all the elements of liveability addressed in the report. Community strength is greatly affected by the availability of transport, planning, communications and all aspects of community.

## 7 Liveability in provincial Victoria

### 7.1 Introduction

The terms of reference for the inquiry require the Victorian Competition and Efficiency Commission (the Commission) in considering liveability in Victoria to ‘discuss whether there are dimensions of liveability that are different in provincial Victoria than in Melbourne’. This chapter therefore explores provincial Victoria and the dimensions of liveability that affect those living in the diverse locations of provincial Victoria. In particular, this chapter explores how these dimensions differ from those affecting metropolitan Melbourne.

Trevor Budge commented:

The VCEC inquiry needs to realise that no part of the state exists in isolation from the rest and that there is a high level of interdependency when it comes to making any assessment of liveability. (sub. 10, p. 3)

The Commission has considered liveability in the context of ‘one Victoria’ and noted the strong interactions and interdependencies between all parts of the state, and the need therefore to adopt an holistic approach to considering the enhancement of Victoria’s liveability.

While there are strong interactions between Melbourne and provincial Victoria, there are differences in social and demographic composition across Victoria, which can impact on liveability. At a broad level, despite some significant disparities between regions within Victoria, provincial Victoria has:

- experienced slower population growth than Melbourne since the early 1990s
- been losing young adults (particularly the 16–24 age group) to Melbourne but has been gaining other (older) age groups
- been experiencing declining fertility rates (but this is similar to fertility rates in Melbourne)
- an older age structure than Melbourne
- declining numbers of women of child-bearing age — although some areas are gaining (Regional Policy Research Forum 2004, pp. 7–10).

In addition, the 2006 Census provides some useful insight into various aspects of Melbourne and provincial Victoria that may impact on liveability. Some of these differences (and similarities) include:

- the most common type of dwelling in Melbourne and provincial Victoria is a separate house (73 per cent and 88 per cent respectively)

- in Melbourne, 69 per cent of dwellings are fully owned or being purchased (with 24 per cent of dwellings being rented). In provincial Victoria 71 per cent of dwellings are fully owned or being purchased, with a corresponding lower proportion of dwellings being rented (22 per cent)
- the median monthly housing loan repayment in Melbourne was \$1300 and \$1000 in provincial Victoria
- the average household size for Melbourne is around 2.6 persons and 2.5 persons in provincial Victoria
- around 10 per cent of the people born in provincial Victoria were born overseas. This contrasts to Melbourne, where almost 30 per cent of people were born overseas (ABS 2007c).

Provincial Victoria is an integral part of the state economy and hence has a strong economic relationship with Melbourne. More than a quarter of Victorians live in provincial areas and these areas are the source of:

- over one quarter of the state's jobs
- some of Victoria's most important industries, including agriculture, construction, dairy, food, minerals, service and finance, tourism and wine
- many of Victoria's international exports
- the majority of Victoria's electricity supply (ABS 2007c, VCEC 2005b).

Given the importance of provincial areas to the social and economic health of Victoria, it is impossible to assess liveability without considering the specific issues affecting the liveability of provincial areas.

This chapter discusses the overall level of liveability in provincial areas and then examines the individual elements which both contribute to, and detract from, liveability in provincial Victoria. The chapter also highlights the role played by local governments in provincial areas. It then looks at the important interactions and interrelationships between Melbourne and provincial Victoria.

The discussion in this chapter draws heavily on data provided in submissions to the inquiry, roundtable discussions held in provincial areas, other reports, including a consultancy report prepared by the McCaughey Centre using the Community Indicators Victoria survey.<sup>1</sup>

## **7.2 Overall liveability in provincial areas**

Many areas of provincial Victoria are highly liveable places and many people choose to live in these areas. This section examines the overall liveability of provincial Victoria drawing on information from the Community Indicators

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<sup>1</sup> The full report can be found on the Commission's website at: [www.vcec.vic.gov.au](http://www.vcec.vic.gov.au).

Victoria survey and evidence of population movements. The section also considers the attractiveness of provincial areas to businesses.

## 7.2.1 Survey data

One way to measure liveability in provincial areas is to examine residents' own views about their wellbeing. The Community Indicators Victoria survey contains data on self reported subjective wellbeing based on a Personal Wellbeing Index (PWI). The PWI is measured by satisfaction with seven domains of life, namely standard of living, health, achievements in life, personal relationships, safety, community connection and future security. The PWI presents an average score across all seven domains — standardised into a scale of 0 to 100 (where 100 represents the highest level of satisfaction). Table 7.1 presents the results showing provincial differences and comparisons with Melbourne.

Table 7.1 **Subjective Wellbeing**

	<i>Victoria Average</i>	<i>Metro Areas<sup>a</sup></i>	<i>Non-provincial Areas<sup>b</sup></i>	<i>Provincial Areas<sup>c</sup></i>	<i>Ballarat</i>	<i>Greater Bendigo</i>	<i>Greater Geelong</i>
%	76.4	75.6	75.8	78.7	76.7	78.9	77.1

**a** Metropolitan Melbourne. **b** Non-Provincial areas are defined as Metropolitan Melbourne and Ballarat, Greater Bendigo and Greater Geelong. **c** Provincial areas includes all Victoria excluding Metropolitan Melbourne, Ballarat, Greater Bendigo and Greater Geelong.

Source: McCaughey Centre 2008, p. 15.

The results presented in Table 7.1 show the average subjective wellbeing score for Victoria as a whole being 76.4 per cent, the score for metropolitan Melbourne slightly below the state-wide average at 75.6 per cent while provincial areas is higher (78.7 per cent). The McCaughey Centre concluded that:

This indicates that people living in Provincial Victoria have higher levels of Subjective Wellbeing or life satisfaction than those living in Metropolitan Melbourne. A similar result is evident in Greater Bendigo, Greater Geelong, and to a lesser extent in Ballarat. (McCaughey Centre 2008, p. 15)

Perceptions of relative liveability are important. As noted by the City of Greater Bendigo:

There is a perception by some metropolitan residents that Bendigo is a less desirable place to live, but many Bendigo residents have a similar view about Melbourne. (sub. 12, p. 3)

It may be that the high level of subjective wellbeing expressed by many people living in both provincial areas and Melbourne is due to their ‘self selection’; that is, people have chosen to live where their wellbeing is highest.

## 7.2.2 Population movements

Another source of data on the liveability of provincial Victoria is population movements. Do population movements indicate that people are choosing to live in provincial areas rather than in Melbourne? The City of Greater Shepparton argued that this is an important measure or indicator of the liveability of particular places:

One of the significant measures of the attractiveness or liveability of a region or city is the level of in-migration. This reflects people making choices to deliberately relocate to a place. It is highly likely that a strong movement to a centre reflects a positive perception of a place. (sub. 32, p. 3)

### Participants’ views

A number of participants to the inquiry noted that at least some provincial areas were experiencing strong population growth — in particular, major provincial centres are significant beneficiaries of this growth. The Department of Transport/Department of Infrastructure (DOI/DOT) noted that:

Mildura, Bendigo, Ballarat and Shepparton recorded the fastest population growth of all inland statistical districts across Australia during 2005-06. (sub. 52, p. 6)

Smaller centres, especially those attractive to retirees, are also gaining population. DOI/DOT noted that a source of growth in these areas is:

... increasing migration of people from urban areas to coastal, regional or rural areas — a process commonly known as ‘sea-changing’ or ‘tree-changing’ as well as the increase of people with second homes in coastal, regional or rural areas. (sub. 52, p. 12)

Trevor Budge as part of his analysis of provincial Victoria reinforces the importance of strong ‘pull factors’ drawing population to provincial areas:

A new found confidence in most of rural and regional Victoria is driving growth and investment, particularly in the housing sector, and resulting in significant migration to rural and regional areas. This growth is particularly focused in regional centres and ‘lifestyle’ towns/areas. (sub. 10, p.4)

It is clear that many people regard provincial Victoria as very liveable and a desirable location to live, work and raise a family, and hence regard provincial Victoria as the ‘liveable alternative’ to Melbourne.

## Population data

Population data supports the views put forward by participants to the inquiry — parts of provincial Victoria are growing strongly. A recent analysis of population data undertaken by the Department of Sustainability and Environment (DSE) found that between June 2005 and June 2006, Melbourne's estimated resident population increased by 1.3 per cent while regional Victoria's growth rate was 1.4 per cent (DSE 2007d, p. 1).

However, the aggregate data for provincial Victoria as a whole conceals considerable variation across the state. Larger regional cities or towns tend to be growing most rapidly. For example, between June 2005 and June 2006, Mildura grew by 2.2 per cent, Bendigo by 2 per cent and Ballarat by 1.9 per cent (DSE 2007d, p. 2). These locations also experienced strong growth in the following year: Mildura 1.5 per cent; Bendigo 1.6 per cent and Ballarat 1.4 per cent (ABS 2008).

One explanation for the strong growth of regional cities is the 'sponge cities' effect where various factors encourage the agglomeration of people and businesses into larger cities. The Commission in its report on *Regulation and Regional Victoria: Challenges and Opportunities* noted that:

Sufficiently large regional cities offer a mid-way house that combines some of the lower factor price advantages (for example, lower land rents) with some of the clustering advantages. They may have enough population to provide enough diversity and range in services (such as health and education, recreation, child care, restaurants, cinemas and other entertainment facilities), attract some people who may commute to work in the metropolis (provided commuting costs are low), while having advantages such as low land and housing prices. These naturally generate the 'sponge effect', gobbling up smaller dispersed rural centres. (VCEC 2005b, p. 33)

In the case of other provincial areas, their growth is mixed. Areas with significant natural attractions — such as those by the coast — are experiencing strong growth. For example, the Surf Coast Shire's population increased by 3.2 per cent between 2006 and 2007 (ABS 2008). However, other provincial areas are experiencing population declines. This is especially the case for areas in the Wimmera where nine local government areas experienced population declines between 2006 and 2007. For example, population declined in Loddon (-0.2 per cent) North Grampians (-0.2 per cent) and West Wimmera (-0.8 per cent) (ABS 2008). These areas also suffered population declines in the previous year (DSE 2007d).

The implications of this population data were summarised by John McLinden (Chief Executive Officer of Loddon Shire Council) at the Shepparton roundtable discussions who noted that:

We're [Loddon Shire] second highest — or almost worse — in the rate of population decline in our municipality but if this trend continues within a few years Victoria will be populated along the southern coast and along its northern

border, wherever there's water, and the rural parts in the middle other than some large regional cities will be emptying out. (Roundtable 2 transcript, p. 17)

The population changes taking place in many provincial areas are also having a significant impact on the age profile of provincial areas. Wellington Shire Council noted that:

Much of rural Victoria is experiencing the 'Triple whammy of ageing', with the general aging of the population, young people leaving and older people coming to settle in the region (including 'sea-change' and 'tree-change' retirees). (sub. 24, p. 3)

The changing age structure in provincial areas will significantly impact on the types of services required by residents and the demands placed on all levels of government to provide appropriate services, such as services for the ageing population.

### 7.2.3 Businesses in provincial areas

The economic performance and prosperity of a region is an important driver of many aspects of liveability. Many provincial areas are not only attractive to people but they also provide attractive locations for businesses. Box 7.1 describes some of the key industries in provincial Victoria.

#### Box 7.1 Key industries in provincial Victoria

The largest city outside Melbourne is Geelong, which is central to Victoria's car manufacturing and wool industries. Geelong is also the gateway to Victoria's surf coast and the Great Ocean Road — important tourist destinations.

At Mildura, in the state's northern-most tip, citrus, fruits and grapes are the predominant crops. Victoria is also a major vegetable-producing state and its biggest exporters include the dairy industry co-operatives, Bonlac and Murray Goulburn.

Albury-Wodonga is a manufacturing centre; and wine producing areas, such as Rutherglen and Milawa, are close by.

Ballarat, 110 kilometres from Melbourne, was a major gold mining centre in the 1900s. Sovereign Hill, a theme park portraying the gold rush era, is a prime tourist attraction. Manufacturing and food industries are also prevalent in this area.

Bendigo, 160 kilometres from Melbourne, is home to a range of diverse manufacturing industries including food, clothing and textiles.

La Trobe Valley, 150 kilometres from Melbourne, has large resources of brown coal and is the source for most of Victoria's electricity. Other major industries include timber processing and paper manufacturing.

Shepparton is the centre of the Goulburn Valley irrigation area where a lot of Victoria's food is produced. Food processing and dairy industries are the predominant activities in this region.

Source: Invest Victoria 2007.

The major employer in provincial Victoria is the retail trade sector, followed by manufacturing, agriculture, forestry and fishing (RDV 2005, p. 19). Industry growth in particular sectors has been strong. Between 1991 and 2001, employment in property and business services increased by 83 per cent and in cultural and recreational services employment increased by 63 per cent. However, employment declined in the electricity, gas and water sector, government administration, finance and insurance and mining (RDV 2005, p. 19).

Provincial Victoria can offer businesses a number of advantages over metropolitan Melbourne which can help improve their competitiveness. A benchmarking study of regional business costs concluded that:

The key business cost and liveability advantages for businesses located in regional cities compared to metropolitan Melbourne are:

- Lower labour costs
- A greater proportion of residents with trades education and training
- Greater availability of vacant industrial land
- Lower commercial and industrial building and land costs
- Lower commercial and industrial rental costs
- Lower water and sewerage business costs
- Lower proportion of planning applications subject to delay or appeal
- Lower residential land and housing costs
- Shorter hospital waiting lists for emergency treatment and elective surgery. (Essential Economics 2006, p. 73)

The benchmarking study also noted that ‘a considerable asset for regional cities is their resident labour force’ (Essential Economics 2006, p. 19). The Commission’s roundtable in Shepparton noted that workforce stability was an attractant to business. There is, therefore, an important link between business performance and competitiveness and the ability of provincial areas to attract population growth.

In addition to being able to access a pool of skilled labour in the local area, developments in information and communications technology will continue to enable businesses to locate their employees in areas remote from Melbourne. Employees will increasingly be able to access employment generated from Melbourne and still take advantage of the liveability benefits of living in provincial areas. Improved transport, the availability of emerging communications technology, and other services such as health and education will help to consolidate and enhance the attractiveness of provincial Victoria and lead to more effective integration with Melbourne (section 7.3.2).

Regulatory arrangements can also have a significant impact on economic development and business performance in provincial areas. The Commission has undertaken an earlier inquiry *Regulation and Regional Victoria: Challenges and*

*Opportunities* which made 41 recommendations to improve regulatory arrangements which impact on regional Victoria (VCEC 2005b). The Victorian Government published a response to the inquiry and indicated that it was ‘overwhelmingly supportive of the changes proposed by the VCEC’ (Treasurer of Victoria 2005, p. 1). Details on progress with implementation can be viewed at [www.vcec.vic.gov.au](http://www.vcec.vic.gov.au).

The liveability of provincial areas has encouraged people and businesses to locate in these areas. This has implications for the timely provision of infrastructure and services to meet the needs of individuals and businesses and the likely movement of some employment to provincial Victoria.

## **7.3 Factors underlying provincial liveability**

The overall view that many people consider parts of provincial Victoria to be very liveable can obscure the diversity across provincial Victoria and the range of factors that can both contribute to and detract from the liveability of a place. This section explores in more detail the factors which contribute in both a positive and negative way to the liveability of provincial Victoria.

### **7.3.1 Factors positively affecting provincial liveability**

Residents in provincial areas and those moving to these areas clearly consider them to be liveable, and make a choice to live there. This section examines the positive attributes of provincial areas which contribute to their liveability.

In Trevor Budge’s view, there are eight key factors contributing to growth and the liveability of provincial areas:

1. Strong natural amenity — water, scenery, environment
2. Rural ambience and aesthetic qualities of small towns and their communities — strong contrast with Metropolitan living
3. Diversity of housing stock (price, style), including affordable housing options
4. Diverse range of employment opportunities across the area
5. Rising home values (investment is seen to provide a return)
6. Quality and secure facilities in health and education
7. Existing or further retirement lifestyle qualities
8. Good, improving transport links to Melbourne. (sub. 10, pp. 5–6)

Natural amenity, employment and economic considerations as well as lifestyle factors feature in several submissions received by the Commission. For example, the City of Greater Bendigo highlighted the lifestyle advantages of provincial areas as being a key element of their liveability:

Among these distinguishing attributes are significantly lower levels of traffic congestion and shorter commuting times, lower costs of living and better opportunities for work-life balance. (sub. 12, p. 3)

The City of Greater Shepparton also highlighted a number of positive attributes of provincial living:

Regional centres and their surrounding rural communities are able to offer cleaner environments, less stressful living, virtually no traffic congestion, greatly reduced travel and commuting times, more convenient access to many facilities, increased family time, much less mortgage stress, a stronger sense of community and a vibrant community based lifestyle. (sub. 32, pp. 12–13)

Data from the Community Indicators Victoria survey also provides some insights into the factors which contribute to the liveability of provincial areas. In particular, the survey highlights the strength of community in provincial areas compared with Melbourne. Table 7.2 provides information on reported community connectedness (where respondents rated their satisfaction with their connection to their community) and participation in citizen engagement activities.

**Table 7.2 Community connectedness and citizen engagement**

	<i>Victoria Average</i>	<i>Metro Areas<sup>a</sup></i>	<i>Non-Provincial Areas<sup>b</sup></i>	<i>Provincial Areas<sup>c</sup></i>	<i>Ballarat</i>	<i>Greater Bendigo</i>	<i>Greater Geelong</i>
Community connectedness %	70.7	68.9	69.3	76.7	71.7	74.6	72.9
Citizen engagement %	53.8	49.4	50.9	66.3	58.3	65.5	67.3

**a** Metropolitan Melbourne. **b** Non-Provincial areas are defined as Metropolitan Melbourne and Ballarat, Greater Bendigo and Greater Geelong. **c** Provincial areas includes all Victoria excluding Metropolitan Melbourne, Ballarat, Greater Bendigo and Greater Geelong.

Source: McCaughey Centre 2008, pp. 18-20.

In terms of community connectedness respondents were asked to rate their satisfaction with their connection to their community. The results are presented as a score ranging from 0 to 100 (with 100 indicating the highest level of satisfaction). The results in table 7.2 indicate that community connectedness is highest in provincial Victoria and lowest in metropolitan Melbourne.

Similarly, those living in provincial areas (and the major provincial cities) were more likely to have participated in citizen engagement activities over the past 12 months (this includes activities such as writing a letter, attending a community meeting, attending a council meeting etc). The results presented in table 7.2 indicate that citizens in provincial areas and cities were more likely to have participated in citizen engagement activities compared with those living in Melbourne.

### **7.3.2 Factors adversely affecting provincial liveability**

There is also a number of negative factors impacting on the liveability of provincial Victoria. Adequate access to various services was the major issue raised during the inquiry. Some participants also raised the impact of the drought on provincial Victoria.

#### **Access to services and infrastructure in provincial areas**

A number of submissions to this inquiry highlight limited access to a range of services as having a negative impact on the liveability of many areas. The Municipal Association of Victoria (MAV) summarised many of the factors adversely affecting the liveability of provincial areas:

The key areas of transport, housing affordability, land use planning and sustainability have formed the foundation for the MAV's submission, however, it is acknowledged that in some rural and regional areas other issues are just as — if not more — important. Issues such as tertiary education opportunities, availability of specialist health services, recreation, arts and cultural opportunities, broadband and telecommunications, and wastewater management are all having a fundamental influence on the liveability of areas outside of metropolitan Melbourne and the major regional centres. (sub. 22, p. 20)

#### *Transport*

DOI/DOT also noted the lack of public transport access in many provincial areas:

Due to the dispersed nature of regional living and the relatively small populations, the economic provision of conventional public transport infrastructure and services is difficult. As a result, reliance on private cars is considerably greater in regional areas, however, there is a growing community transport industry which provides targeted transport services, particularly for the aged. (sub. 52, p. 25)

The Community Indicators Victoria data compiled by the McCaughey Centre also highlight limited access to public transport as an important issue for those in provincial areas (especially those not living in major provincial cities). In a survey respondents were asked if they had experienced transport limitations in the past 12 months (that is, if their ability to travel on a day-to-day basis had been restricted for some reason). In both provincial and non-provincial areas

approximately 20 per cent of respondents indicated they had suffered transport limitations (McCaughey Centre 2008).

However, the reason for transport limitations differed widely between the two groups. Over 50 per cent of those living in provincial areas cited 'no public transport in your area' as the reason for their lack of transport, whereas in non-provincial areas only 21 per cent cited this reason (McCaughey Centre 2008, p. 26). The lack of public transport in provincial areas can have serious consequences for liveability and businesses as people are unable to travel for social or private reasons or to get to their place of employment.

Access to effective transport services also impacts on businesses. At the Traralgon provincial roundtable, Harvey Pynt (President of the Traralgon Chamber of Commerce) argued that one of the important factors:

... pertaining to liveability is transport costs. Apparently Melbourne lives in a hole and it's downhill ... anything else that comes from regional Victoria doesn't cost anything to transport to take to Melbourne yet coming back into regional Victoria it costs a fortune. You pay everything on everything and it affects small business, it affects all businesses that you're paying extra transport costs to get it from Melbourne to the country... (Roundtable 6 transcript, p. 19)

### *Education*

Access to education, especially higher education, was also highlighted as impacting adversely on the liveability of provincial areas. Trevor Budge noted the comparative lack of access to higher education facilities for those living in provincial Victoria by comparison with the situation in South Australia:

There is an interesting comparison that can be made between South Australia and Victoria. Victoria has more people living in regional Victoria than live in the whole of South Australia. Adelaide supports three major universities with a total student population of about 70 000. In contrast, Victoria's regional collection of universities and campuses has about 30 000 students with over a third at the Deakin Geelong campuses. (sub. 10, p. 8)

Even where educational facilities are available, access to them may be adversely affected by the lack of adequate transport. At the Traralgon roundtable discussion, Geoff Hill (Executive Manager of Economic Development at Latrobe City) noted that:

... Monash University Gippsland campus is certainly an asset for this region but there's a lot of potential people that would go to the university but can't get there because of lack of transport. (Roundtable 6 transcript, p. 6)

### *Information and communication technology*

Another issue raised in both submissions and during the regional roundtable discussions held by the Commission was the lack of access experienced by many

provincial residents to the internet, and particularly broadband technology. At the Shepparton roundtable, Fabian Reid (Executive Officer of the Bendigo Chamber of Commerce and Industries) noted that:

We think the future depends on ideas and information knowledge all across the community and the great conduit to ideas, information and knowledge is access to high quality, world class IT infrastructure. And that's not only — the provincial cities aside — Bendigo but it's for smaller communities the size of Bridgewater and Pine Lodge and everywhere else you can think of and unless communities and businesses in those areas have that access I think we're behind the eight ball ... .(Roundtable 2 transcript, p. 11)

This observation is reinforced by the data available from the Community Indicators Victoria survey. As part of the survey respondents were asked if they had any internet connection and, if yes, whether that connection was dial-up or broadband. Table 7.3 provides these data.

**Table 7.3 Access to the internet**

	<i>Victoria Average</i>	<i>Metro Areas<sup>a</sup></i>	<i>Non-Provincial Areas<sup>b</sup></i>	<i>Provincial Areas<sup>c</sup></i>	<i>Ballarat</i>	<i>Greater Bendigo</i>	<i>Greater Geelong</i>
Yes, have internet access %	78.9	80.8	80.5	72.1	73.9	80.5	78.0
Yes, Dial-up %	17.4	14.6	15.3	26.6	20.7	26.6	20.2
Yes, Broad-band %	61.1	65.8	64.8	45.2	53.0	53.2	57.7

**a** Metropolitan Melbourne. **b** Non-Provincial areas are defined as Metropolitan Melbourne and Ballarat, Greater Bendigo and Greater Geelong. **c** Provincial areas includes all Victoria excluding Metropolitan Melbourne, Ballarat, Greater Bendigo and Greater Geelong.

Source: McCaughey Centre 2008, p. 23.

On the basis of this data the McCaughey Centre concluded that:

Approximately 79 per cent of Victorians indicated that they had some form of internet access. However, significant differences exist between internet access within Provincial and Non-provincial Victoria, with respondents from country Victoria more likely to rely on Dial-Up and less likely to use Broadband connections. (McCaughey Centre 2008, p. 23)

Poor internet access has significant implications for both the liveability of an area from the perspective of residents but also for businesses. Improved internet access increases the possibility of people working from home in more remote locations and can help the interconnectedness of provincial areas and access to metropolitan Melbourne.

In some cases small improvements to internet access could have significant liveability implications. During discussions in Bendigo it was noted that internet access and reliable mobile phone connection on the fast train between Bendigo and Melbourne were poor, which adversely affected commuters' ability to work on the train while travelling to Melbourne.

Improvements in the interconnections between Melbourne and provincial areas through transport improvements and improved information and communications technology benefit not only provincial areas but also Melbourne residents and businesses. In the context of a growing population, building the concept of 'one Victoria' can help ease population pressures on Melbourne (and its associated problems such as traffic congestion and higher housing costs) by making provincial Victoria an even more attractive place to live and operate a business. The concept of 'one Victoria' is discussed in a number of parts of the report and is a central theme throughout the report.

#### *Other infrastructure*

The provision of other types of infrastructure was also raised during the inquiry. For example, at the Shepparton roundtable, Andrew Millen (Chief Executive Officer of the Economic Development Board in Mildura) noted:

The other thing people may or may not know is that the infrastructure provision is essential. We currently get natural gas out of South Australia and a pipeline was built, as an example, eight years ago, it's now at 110 per cent capacity and we'll be starting to lose businesses to New South Wales and South Australia because they've got natural gas and we can't get another provision or anything of that nature. So infrastructure availability is essential to getting not only your existing businesses efficiencies up, to get them to export but to attract new businesses is going to be essential (Roundtable 2 transcript, p. 20)

Improved access to services and infrastructure would clearly enhance liveability in many provincial areas. Infrastructure quality also affects the ability of businesses and employees to locate in provincial areas. Planning for services and infrastructure in provincial areas needs to keep pace with the growth in population and the potential to absorb population from Melbourne.

## **Vulnerability of provincial areas to adverse events**

One aspect of liveability that is likely to differ between provincial Victoria (and especially smaller centres) and Melbourne is their vulnerability to adverse events, such as the drought, bushfires, the closure of a key employer or other major event.

As an example of this vulnerability, the Victoria Police raised the impact of the current drought on the liveability of provincial Victoria. The police noted that:

The prolonged recent drought appears to be contributing to increased stress levels and mental health problems, such as depression, increases in rates of smoking, alcohol and other drug use. There are significant social and psychological implications, particularly in rural communities where families are experiencing financial stress, resulting in increased risk of mental health issues and strain on relationships. Victoria Police has seen this lead to increased family violence, theft of livestock and water, property damage, depression, self-harm and suicide. (sub. 47, p. 5)

Smaller communities with a less diverse economic base than larger centres may experience wider swings in liveability than larger more diverse centres (including Melbourne). Smaller towns may be temporarily advantaged by, for example, strong commodity prices if the production of that commodity is their major source of income, but similarly extremely disadvantaged when commodity prices fall.

While adverse events may negatively impact on liveability there is also the more positive aspect that many provincial areas have demonstrated a high degree of resilience and ability to recover from such events. The strength of volunteer organisations such as the Country Fire Authority and the degree of community connectedness helps contribute to this resilience.

### **7.3.3 Are provincial areas as liveable as Melbourne?**

The discussion in the preceding sections highlights the nature of liveability in provincial areas compared with metropolitan Melbourne. In some respects parts of provincial Victoria are superior, but there are other aspects of liveability which are generally more accessible or available in Melbourne and of course, different factors of liveability affect different people. It is therefore not possible to generalise that either Melbourne or provincial Victoria is more liveable. Greater population mobility means people are more likely to live and work in areas they regard as liveable.

A number of submissions noted a trade-off between positive and negative aspects of liveability in different areas. The City of Boroondara stated that:

... dimensions of liveability vary across Victoria. Not all Victorians have equal access to services which contribute to liveability (for example, higher education participation rates are lower in country Victoria than in the metropolitan region;

access to public transport is not equal). Arguably these differences may be offset by access to more affordable housing opportunities, but income levels may be lower. (sub. 48, p. 20)

The Department of Planning and Community Development (DPCD) also noted the need for flexibility in considering liveability:

It is important that in conceptualising liveability we have a broad approach which also allows for local flexibility and difference. This flexibility is important because communities across Victoria will have different views about liveability and this will change over time. (sub. 51, p. 32)

The range and diversity of locations with different liveability characteristics within Victoria is a positive attribute of the state and enables many people to make choices where they want to live and hence the bundle of liveability characteristics they want to enjoy. Moreover, the impact of differences in liveability can be lessened by good interconnections between locations.

### **Liveability differences within provincial areas**

As well as liveability differences between Melbourne and provincial areas there are also significant differences among provincial areas. The most obvious general difference is that between major provincial centres and small towns.

Again there are trade offs between desirable and undesirable aspects of small towns compared to major provincial centres. For example, in relation to smaller provincial towns, the City of Greater Bendigo noted that:

Small towns provide an affordable housing option, but this is often off-set by increased travel needs, higher fuel prices, lack of employment opportunities, lack of public transport and poor access to services. Small towns are affordable to get into, but not to get out. (sub. 12, p. 4)

Regional Development Victoria also noted that there are differences in the perceived liveability of provincial areas. It noted that:

Liveability is a critical factor attracting investment, new workers and population. Not all areas share the same liveability qualities. Some centres and areas have a poor liveability image. (RDV 2005, p. 6)

The differences in liveability among provincial areas are reflected, in part, in the differing population growth rates presented in section 7.2.2.

## **7.4 Local governments in provincial Victoria**

Local governments have an important role in providing leadership in provincial Victoria, and enhancing liveability is clearly a role for all governments (section 7.3.1). For example, Latrobe City stated that:

It is our belief that Local Government plays a vital role in the development of liveable communities. (sub. 39, p. 1)

Participants raised two major issues relating to local governments in provincial areas: the scope of their activities and resources, and interaction with other levels of government. These issues are discussed below.

#### **7.4.1 Local government activities and resources**

Section 7.3.2 above addresses the impact of access to services and infrastructure. In many cases the lack of access to services can put increased pressure on local governments to meet the needs of residents. The City of Greater Shepparton noted that the:

Citizens of Melbourne have a range of bodies to turn to in the provision of services and facilities and are able to access numerous facilities. Communities in a regional centre place a much greater emphasis on the role and importance of their local Council to provide those facilities. (sub. 32, p. 11)

This may put significant pressure on some local governments and may result in councils in provincial areas having fewer resources to devote to other, more discretionary areas of activity, which may still play an important role in enhancing liveability, compared with those in Melbourne. In particular, local governments in provincial areas are required to maintain a substantial amount of local infrastructure.

MAV noted the infrastructure demands on local governments in provincial areas and the resulting financial pressures:

Their [provincial local governments] demands include high levels of investment in roads, sewerage, water supply, public transport, health and education and arts and cultural opportunities, which place significant financial strain on many municipalities. (sub. 22, pp. 5–6)

In a recent study of the revenue raising capacity of local governments, the Productivity Commission found that local governments in provincial areas have a:

... higher total incidence of rates relative to other councils, based on a weighted measure of incidence. This is due to the higher expenditure per person in rural councils, for example, on infrastructure services such as provision of local roads. (PC 2008, p. 153)

Higher local government rates may place additional stress on provincial residents. This issue was raised during the Shepparton roundtable where one participant noted that rates are higher in many provincial areas than in Melbourne because of the need to fund infrastructure and other services from a narrower rate base.

## 7.4.2 Interface between local and state governments

Residents in provincial Victoria have generally high expectations and demands of their local governments. Local governments are arguably more aware of the desires and aspirations of local residents and businesses than other levels of government, and hence well placed to respond to their needs. However, some local governments argued that their ability to do so may be constrained by statewide policy requirements. A number of participants to the inquiry from provincial Victoria raised the issue of planning regulations which may be appropriate in Melbourne but are not flexible enough to meet the differing needs of provincial areas. For example, the City of Greater Bendigo argued that:

The “one size fits all” approach of the Victorian planning system in a sense impedes good planning and development as the potential for local variations to these standards are limited. (sub. 12, p. 6)

Similarly, the City of Greater Shepparton argued that one issue of concern to them was:

... the degree to which some elements developed as part of Melbourne 2030 have become part of ‘planning mantra’ and are being applied across provincial Victoria regardless of the local circumstances. Many elements of the Victorian planning system were devised to address specific issues in Melbourne have now been extended to embrace planning across the State. (sub. 32, p. 8)

Planning issues more generally and the issue of land availability for new housing is discussed in chapter 8 and appendix C.

The establishment of Regional Management Forums (RMF) was a State Government initiative to promote an interchange of information between State and local governments on the needs and concerns of the local communities. These forums consist of senior State Government officials and the Chief Executive Officers of councils from the state’s eight regions. DPCD noted that the role of the RMFs was to:

... engage with regional stakeholders to develop an understanding of issues which would benefit from a joined-up response involving state and local government and community agencies working together, and also to develop proposals for addressing priority issues in each region that involve integrated planning and service delivery. (DPCD nd(a))

These forums provide an opportunity for issues affecting provincial Victorian local governments and businesses to raise issues directly with State Government officials (and in the case of the Gippsland forum with Commonwealth Government officials).

Although a relatively recent initiative, the Commission received some positive feedback on the degree of collaboration the RMFs had facilitated between levels

of government. At the Shepparton roundtable Gavin Cator (Chief Executive of Moira) noted that the RMF he was involved in 'had been very good' (Roundtable 2 transcript, p. 88).

The Commission concludes that local governments in provincial areas play a key role in enhancing the liveability of those areas. However, the unique demands placed on them by residents, and state-wide policy requirements can impose significant resource demands.

## **7.5 Interaction between Melbourne and provincial Victoria**

This chapter has highlighted factors which contribute to the differences in liveability between Melbourne and provincial Victoria. It is impossible to adequately assess the liveability of provincial Victoria without considering the interaction and interconnection between Melbourne and provincial areas. The liveability of both Melbourne and many provincial areas can be enhanced by this interaction.

A number of inquiry participants made this point to the Commission. For example, Trevor Budge argued that:

... it is the relationship between the metropolitan area and provincial Victoria that appears to have been overlooked. I contend that Melbourne's liveability is substantially as a result of the role and quality of provincial Victoria. Likewise provincial Victoria, or at least much of it, is more liveable because a large metropolitan area with all the assets and attributes it has is reasonably proximate. This is not a situation enjoyed by many areas in regional Australia. (sub. 10, p. 3)

The City of Greater Shepparton expressed similar views:

The reality is that the liveability of provincial Victoria strengthens Melbourne's liveability. (sub. 32, p. 5)

MAV argued that one of the reasons this interaction between Melbourne and provincial areas is so strong in Victoria is the geographically compact nature of the state:

It should be noted, however, that Victoria has the competitive advantage of being one of the most geographically compact states so the trade-off between the benefits of living in provincial Victoria, and the services and cultural opportunities of metropolitan Melbourne, are less than in most other Australian states and territories. (sub. 22, p. 6)

But such interaction between Melbourne and provincial Victoria is affected by transport and communications links which facilitate the flow of people and information. Transport issues are discussed further in chapter 9.

## 7.6 Summing up

In addressing its terms of reference for the inquiry, the Commission has explored the aspects of liveability that may differ between Melbourne and provincial Victoria.

**The Commission finds that:**

- **many parts of provincial Victoria are very liveable and can be considered the ‘liveable alternative’ to Melbourne**
- **provincial Victoria faces particular policy challenges, such as services for the ageing population**
- **the liveability of provincial areas has encouraged people and businesses to locate in these areas. This has implications for the timely provision of infrastructure and services to meet the needs of individuals and businesses and the likely movement of some employment to provincial Victoria (draft finding 7.1).**

Some of the factors which make provincial Victoria liveable, including lower land costs, and housing costs benefit both people living in those areas and businesses.

The primary factor detracting from liveability in many provincial areas is access to services and infrastructure, such as transport, education, health and information and communication technology. In many cases, poor access to infrastructure also impacts on business performance and competitiveness. Access to internet technology for example, impacts on the ability of individuals to access a range of information sources and opportunities to interact with others over the web, but poor internet access also impacts on business performance and competitiveness.

In this context, the Commission concluded that poor access to services and infrastructure in some provincial areas is a key contributor to lower levels of liveability for residents but also adversely impacts on business performance and competitiveness. Poor infrastructure also affects the ability of businesses and employees to locate in provincial areas. Planning for services and infrastructure in provincial areas needs to keep pace with the growth in population and the potential to absorb population from Melbourne.

**The Commission finds that improved transport, the availability of emerging communications technology and other services such as health and education will help to consolidate and enhance the attractiveness of provincial Victoria and lead to more effective integration with Melbourne (draft finding 7.2).**

Provincial Victoria is also very diverse and this needs to be considered when assessing liveability and ways to enhance the liveability of provincial areas. For example a number of participants noted that state-wide regulatory arrangements — such as planning regulation — could be insufficiently flexible to meet the specific needs of provincial areas.

The diversity of provincial Victoria also enhances the role played by local governments in providing information and services required to meet the needs of local residents and businesses. Submissions received by the Commission reinforced that local governments play an important leadership role in enhancing the liveability of their communities, particularly in provincial Victoria.

**The Commission finds that local governments in provincial areas play a key role in enhancing the liveability of those areas. However, the unique demands placed on them by residents, and statewide policy requirements, can impose significant resource demands (draft finding 7.3).**

**The Commission finds that an examination of the liveability of provincial Victoria must acknowledge the strong links and interdependencies between provincial areas and Melbourne. The liveability of both is enhanced by this relationship and liveability should be viewed in the context of ‘one Victoria’ (draft finding 7.4).**

## 8 Urban planning and design, and community infrastructure

### 8.1 Introduction

The terms of reference for the inquiry require the Victorian Competition and Efficiency Commission (the Commission) to:

- examine the efficiency advantages of good planning and community infrastructure and evaluate the economic costs of poor urban design
- report on the planning, design and implementation of sustainable urban concepts and systems in other jurisdictions — both in Australia and internationally — that are focused on achieving liveability goals, and comment on the potential applicability of such approaches in Victoria.

Prior to examining these issues it is important to distinguish differences between urban design and planning. The Office of the Victorian Government Architect (OVGA) defined design as meaning ‘design of the built environment and includes architecture, landscape architecture and urban design’ (sub. 53, p. 5) and argued:

Urban design is concerned with the placement of buildings within a city, the uses and external details of those buildings, the spaces created between buildings including streets, as well as open spaces. ... Urban design is the practice of shaping the physical features of settlements to create places for people and to make high-quality connections between people, places and buildings. (sub. 53, pp. 5–6)

Urban design is the art of making places for people. It includes the way places work, including considerations such as:

... community safety, as well as how they look. It concerns the connections between people and places, movement and urban form, nature and the built fabric, and the processes for ensuring successful towns and cities (CABE 2000, p. 8).

Urban planning is a broader concept than urban design and encompasses wider consideration of how land is used. The OVGA noted:

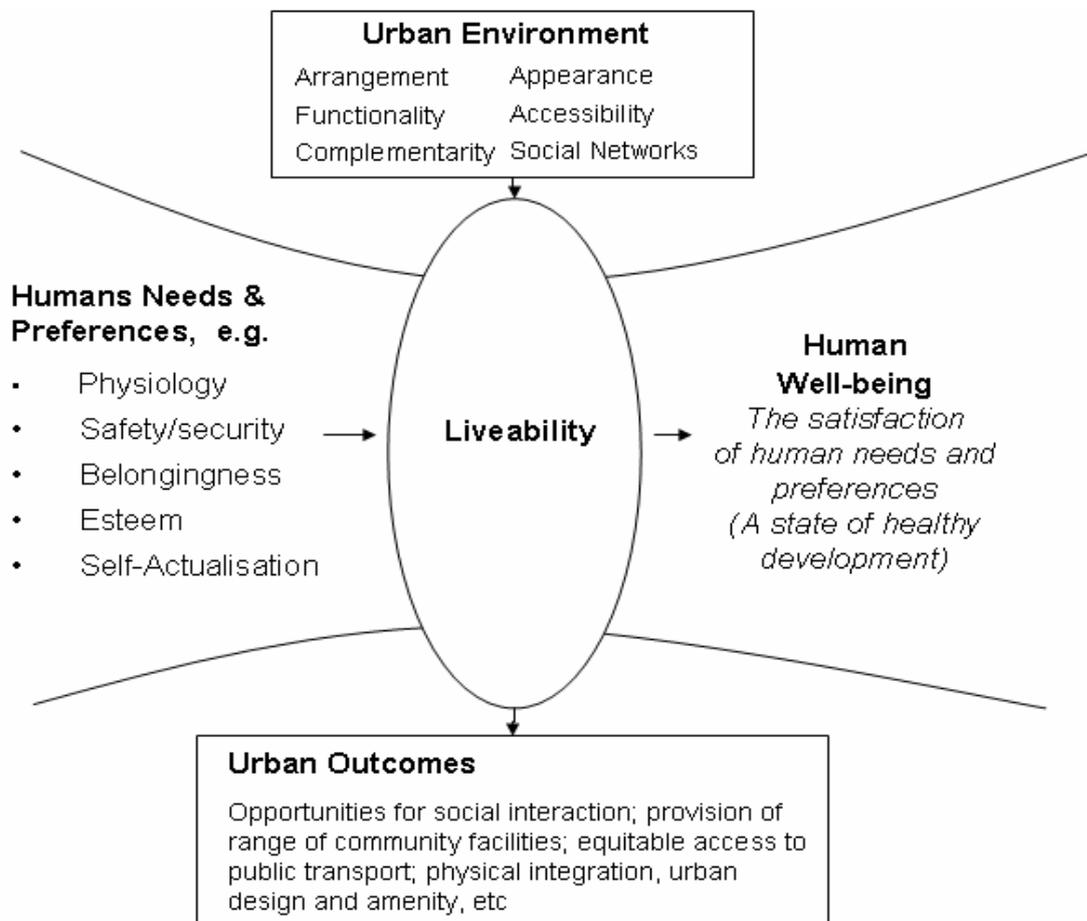
At the local neighbourhood level, urban and rural planning is concerned with the use of land, and the buildings and other developments that go on that land, and their impact on communities and environments. Planning regulation of land-uses aims to ensure equity in terms of access and impact on communities and individuals. (sub. 53, p. 6)

Good design can, therefore, be regarded as an element of planning. By creating and planning for places that meet the changing needs and preferences of the community who live, work or play in them, Victoria’s liveability and competitiveness can be improved. The OVGA recognised this and noted:

... the quality of the built environment has a significant impact on the success of many community services and infrastructure, in terms of community acceptance, 'take-up' or use, in facilitating community engagement and contributing to social, ecological and economic sustainability. In addition, the quality of architecture and the public realm significantly improves or diminishes the cultural relevance, resonance and attractiveness of places for people, thereby enhancing or detracting from liveability. (sub. 53, p. 4)

The complexity of the relationship between the urban environment — an outcome of the planning system, community infrastructure and urban design — and liveability can be expressed diagrammatically (figure 8.1). While not explicitly highlighted in this figure, community infrastructure permeates most elements of the urban environment.

Figure 8.1 **The urban environment and liveability**



Source: Urbis 2008, p. 8.

In exploring planning, urban design and community infrastructure this chapter examines:

- the efficiency advantages of good planning and community infrastructure (section 8.2)
- the costs of poor urban design (section 8.3)
- how sustainable urban concepts have been adopted internationally and the implications for Victoria (section 8.4)
- the role of government in urban design, community infrastructure and planning (section 8.5).

Section 8.6 provides a summary of the key issues examined in the chapter.

## **8.2 The efficiency advantages of good planning and community infrastructure**

Good planning and community infrastructure have an important role in determining how an economy can grow and the extent to which governments can tackle social and equity issues that are fundamental to liveability. For example:

- well planned land use encourages more efficient use of land and infrastructure by identifying the optimal use for land (economically, socially and environmentally) in an environment characterised with competing demands, and facilitates more resources being available for other liveability enhancing initiatives (section 8.2.1)
- well planned community infrastructure can improve community safety and connectivity, and enhance social capital while reducing the costs incurred in the maintaining and staffing of community infrastructure (section 8.2.2).

Both these issues are explored below.

### **8.2.1 The efficiency advantages of good planning**

Land use planning determines the uses to which land is devoted and seeks to alter urban form to gain greater urban efficiency. Land use plans often seek to do this by developing compact cities through encouraging higher density, encouraging mixed use development, making the most of community investment in physical and social infrastructure, encouraging transit-oriented development in activity centres, improving public transport and limiting outer urban growth.

Urban efficiency is usually defined in terms of travel patterns, infrastructure and energy use, and social and environmental costs including water use, congestion costs and the costs of urban sprawl. Societies which consume less land for urban purposes often require fewer roads, may use infrastructure more efficiently and can invest their unused resources for other productive initiatives. It must be

recognised, however, that with more efficient cities greater economic, social and environmental challenges may arise (section 8.3).

According to research undertaken for Maroondah City Council, the benefits associated with a project to consolidate urban development and encourage more sustainable travel patterns in and around Ringwood (the Ringwood Transit City project) are:

... an annual Gross State Product [GSP] boost of some \$19 million, or some \$218 million, capitalised at 6% (real) over 20 years. This estimate does not take into account further GSP benefits arising from a greater propensity for innovation which is likely to arise ... (sub. 34, p. iii)

SGS Economics and Planning Pty Ltd (SGS) also noted significant efficiency gains could be made with good planning and urban management programs, and that increased efficiency would:

... not only make cities better places to live and work, but can be expected to reap a significant GDP [Gross Domestic Product] boost, including improved taxation flows to the Commonwealth and the State Government. (sub. 26, p. 2)

The Department of Infrastructure/Department of Transport (DOI/DOT) recognised the efficiency and economic advantages associated with an efficiently planned transport system when it noted:

In all definitions, liveability is affected by the cost of living. The costs of goods and services in a community are directly affected by the performance of the transport system. In addition, the cost of housing can be partially affected by the availability of adequate transport infrastructure and the distance of journeys to work. The modes used can have considerable economic impacts on a household and delays on the transport system can have economic and productivity impacts on employers. In other words, the economic efficiency of the transport network contributes directly to the economic performance of the State. (sub. 52, p. 13)

DOI/DOT also highlighted that good planning and investment helps realise and capture efficiency gains:

Investment, future planning and improved efficiency of passenger, freight and commercial activity is essential to secure and strengthen Victoria's economic efficiency and competitiveness, which in turn increases liveability. (sub. 52, p. 23)

SGS also provided quantitative estimates on the impact on GDP of improvements in urban structure and management over a 10 year time frame. The scenarios they adopted for testing considered three of the many opportunities for cost savings from better cities; namely, reduced traffic congestion, reduced transport related greenhouse gas emissions and lower housing construction costs. Their modelling found:

... that by 2020-21 Australia's GDP can be expected to be higher by 1.27% compared to the Base Case Scenario (i.e. do nothing scenario). Similarly, Federal Government's tax revenue can be expected to be higher by 0.55%. (sub. 26, p. 6)

While the majority of the literature examined by the Commission suggests efficiency benefits result from more geographically confined cities — an essential tenet of *Melbourne 2030* — this view is not universally held. It is important to note, however, that the size of any benefits that may accrue due to confining a city will be largely dependent on how any initiatives are implemented.

## **8.2.2 The efficiency advantages of community infrastructure**

While there is a number of possible definitions of community infrastructure, the Family Services Association of Toronto defines community infrastructure as the complex system of physical facilities, programs, and social networks that aim to improve people's quality of life. These services, networks and physical assets work together to form the foundation of a strong neighbourhood.

Physical community infrastructure helps to make communities sustainable at the local level, such as children's services and child care centres, aged care centres, social housing, schools, libraries, multi use community facilities, leisure centres, bike paths/pavements and parks.

The City of Melbourne highlighted the challenges local communities can face when there has not been effective community infrastructure planning, including:

- current facilities not meeting the needs of the growing population
- services and functions varying across the municipality, creating equity issues
- some facilities having operational and governance issues
- some single purpose facilities being under-utilised while others are over-utilised
- under-representation of some sectors of the community in service usage
- some existing facilities being located in residential areas, thereby limiting community use and creating issues around opening hours and access (City of Melbourne 2007b).

Where community infrastructure is well planned, the scope for these challenges to arise is reduced and the scope for the efficient use of physical infrastructure is maximised. In particular, the efficiency advantages associated with co-location and integration of physical infrastructure include:

- better access for service users, saving time and reducing travel costs
- less staff isolation and reduced occupational health and safety risk, increased staff security, increased referrals
- savings through lower maintenance costs (economies of scope)

- an increased span of hours and better return on investment in infrastructure (City of Melbourne 2007b).

More generally, improved use of community infrastructure can also improve environmental outcomes by reducing waste and duplication (such as electricity usage), thereby contributing to reductions in greenhouse gas emissions.

The Victorian Government, recognising the social benefits of investment in community infrastructure, has undertaken a number of initiatives, including:

- funding 19 neighbourhood renewal sites to reinvigorate the physical and social infrastructure of disadvantaged communities
- building 12 new and redeveloping 52 existing neighbourhood houses, and improving the computer facilities/internet access of 56 houses
- undertaking community building initiatives in 102 small towns across Victoria, which saw 2600 people participate in community workshops to identify priorities needing action and establish project teams
- funding more than 1700 aquatic and sporting facility projects across Victorian communities (Government of Victoria 2007a).

This type of investment in infrastructure seems likely to be important in building strong communities, as people who are actively involved in community life have better health, higher school retention rates and lower rates of unemployment and crime. In addition, evidence such as the Jesuit Social Services report (Vinson 2007), *Dropping Off The Edge*, suggests that communities with high levels of participation and social connectedness are better placed to deal with disadvantage and important aspects of liveability.

In summary, there are efficiency gains to be captured through good planning and community infrastructure. While there is qualitative evidence supporting the efficiency advantages of good planning and community infrastructure, further evidence — particularly best practice examples — is sought by the Commission.

*Information Request:*

*The Commission seeks further examples, if possible with supporting quantitative information, of the possible efficiency gains and other advantages that can be achieved through good planning and the provision of community infrastructure in metropolitan and provincial Victoria.*

### **8.3 The costs of poor urban design**

The terms of reference also require the Commission to evaluate the economic costs of poor urban design. The Commission has focused on the localised costs of poor urban design; recognising that urban planning plays an important role in determining the capacity for urban design to influence the social, economic and environmental success of local areas. That is, the cost — financial and time —

associated with gaining approval by state and local governments for developments will influence the extent to which developers are willing to pursue good urban design, especially if good urban design represents a ‘new’ approach for the area of the development.

Good urban design is not simply a question of aesthetics or style. The OVGA argued that good design:

- meets the needs of the people and communities who use it;
- enhances public spaces such as streets, courtyards, parks and gardens;
- performs in a sustainable way; and
- offers a qualitative experience of delight in the built environment. (sub. 53, p. 7)

Urban areas that are poorly designed can lack many characteristics that make a place liveable. That is, there may be an absence of:

- character — created by identifying, responding to and reinforcing locally distinctive patterns of development, landscape and culture
- quality in the public realm — public spaces and routes that are attractive, safe, uncluttered and work effectively for all in society, including disabled and elderly people
- ease of movement — a place that is easy to get to and move through
- adaptability — developments that can respond to changing social, technological and economic conditions
- diversity — a place with variety and choice (whatever style is used by designers)
- environmental sustainability and inclusiveness (CABE 2000, 2006).

Places and buildings that do not possess these positive characteristics are not well designed and can impose costs on individuals, the community and the economy.<sup>1</sup> The lack of recognition of these costs can explain why the cost of bad design is not always considered when projects are planned (CABE 2006). For example, a badly designed park, with inadequate lighting and multiple ‘blind spots’ may encourage opportunistic crime — the consequences of which will be felt by the local members of the community and more broadly by other tax payers (for example, due to increased policing costs).

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<sup>1</sup> It also needs to be recognised that physical design measures must also often be complemented by non-physical initiatives if they are to deliver optimal value. For example: (1) perceptions of comfort and safety are influenced by the physical environment, but also by the behaviour of other street users and the degree to which streets are active and lively; and (2) while good design and planning can act to enhance people’s sense of security, it is also influenced by other factors such as personal experience and the social environment (NZ Ministry for the Environment 2005).

While robust cost benefit analysis should be able to estimate the economic, social and environmental costs associated with poor planning and urban design, the costs can be difficult to determine because of the complex relationship between the various components (NZ Ministry for the Environment 2005). The Commission considers there is limited capacity to draw useful quantitative information from such analysis and has therefore examined the cost of poor urban design largely from a qualitative perspective. The economic, social and environmental costs of poor planning and urban design are examined below (sections 8.3.1, 8.3.2 and 8.3.3 respectively).

### **8.3.1 Economic costs of poor urban design**

Poor urban design can impose significant costs on the economy, the environment and the wider community. These costs include congestion, unhealthy lifestyles (increased health costs), funding required to rectify poorly designed areas and a failure to capitalise on amenities delivered through good urban design (CABE 2006). As the New Zealand Government noted, poor design results in:

... lower quality of life and limit employment opportunities...[and] the ‘external costs’ generated by such development are significant ... (NZ Ministry for the Environment 2005, p. 67)

To illustrate some of the costs of poor urban design, a number of issues are explored.

Poor urban design can affect the operation and costs of public transport providers and delay passengers through contributing to congestion and poor access to public transport. Congestion reduces mobility, thereby increasing the market power of well located businesses and reducing competition. At the broadest level, congestion also affects the attractiveness of living in larger cities such as Melbourne, Geelong, Ballarat and Bendigo and increases the costs of doing business in these cities. Congestion can also impose a range of environmental and social costs (VCEC 2006).

Good urban design of built environments creates conditions that enhance health, for example well connected paths and pavements that encourage walking and cycling. Similarly, urban design can ensure parks and open areas are available for sporting and social activities. Put simply, shaping the environment through urban design has the potential to support healthy decisions, improve the health of the community, reduce the pressures on the health system and improve overall productivity (Lake & Townshend 2006). With Australia being one of the world’s most obese nations — approximately nine million Australian adults are overweight or obese — good urban design may be a particularly useful means of enhancing Victoria’s liveability (DPC 2005a).

On the other hand, poor urban design can be responsible for environments conducive to criminal activity, resulting in both social costs (section 8.3.2) and economic costs, including police, legal and rehabilitation. As the South Australian Government noted:

Design features of the physical environment can assist crime to occur or deter it. An offender's decision to commit an offence in a public space can be affected by the cues in the surrounding environment. For example, a building or facility that cannot be easily observed by passers-by provides a potential offender with less possibility of being observed whilst committing a robbery or a break-in. (Government of South Australia 2004, p. 3)

The economic costs associated with poor urban design can also be assessed by reference to the absence of the benefits usually associated with good urban design. The absence of these benefits can be considered a cost and a failure to capitalise on amenities delivered through good planning (CABE 2006). The Department of Planning and Community Development (DPCD), for example, suggests that 'good design can add economic value' and it:

... create[s] areas where people want to spend time, helping to transform property markets. Well-designed places do more than add economic value: by creating places people want to live and work in, places people feel safe to walk around, places with good access to open space, public transport, facilities and job opportunities, good design can help to produce a range of social and environmental benefits. (sub. 51, p. 31)

Fed Square Pty Ltd argued Federation Square is part of Melbourne's 'civic, community and cultural heart' and this 'exciting public space' contributes to the Victorian economy by:

- increasing expenditure by interstate and international visitors — an estimated additional \$88 million per annum to GSP
- generating 756 (gross) full-time equivalent employment positions (sub. 11).

Good urban design also helps the economy by reducing the need for private car use, thereby reducing congestion, improving travel times and reducing greenhouse gas emissions. Environment Victoria recognised the importance of transport planning to liveability when it noted:

... accessibility of transport both within a settlement area and between settlements, and the resultant time of travelling are important aspects of quality of life and economic success. ... transport [also] has a significant effect on the pressure of a settlement on its environment due to the reliance of transport on fossil fuels. (sub. 19, p. 4)

Transport issues are explored in more detail in chapter 9.

Other economic costs of poor urban design (and planning) include limiting the efficient use of infrastructure and scarce resources such as land and energy and reducing land and property values (NZ Ministry for the Environment 2005).

Summing up, there is a number of economic costs associated with poor urban design that governments need to consider, including:

- discouraging people (including skilled workers, innovative business operators, customers and tourists) from choosing to live, establish a business and/or visit a place
- costs associated with congestion, such as access to and use of businesses and services within an area and the costs of travelling within and between places.

### **8.3.2 Social costs of poor urban design**

Poor urban design results in social costs for individuals and communities living in poorly designed areas. These social costs may also have direct economic consequences as funding may be required to address the resulting social problems. According to CABA, the social costs associated with urban design include:

- limited opportunities for social interaction and participation in community activities
- limited range of services and transport options available to individuals
- physical disconnection disproportionately impacting on the opportunities available to the less mobile
- disconnection from public transport networks and established urban areas causing staff recruitment and retention problems
- social value diminished by poorly designed public space (CABA 2001).

Victoria Police recognised this and noted poor urban design can be detrimental to the safety, wellbeing and functioning of communities. In particular, they noted poor planning and design can result in:

- Increased levels of crime and violence, requiring additional security considerations, repair costs and increased demands on police and other services
- Increased levels of social isolation and a decrease in community connectedness, resulting in the potential for a range of social problems including increases in the rates of mental illness, suicide, drug and alcohol use and domestic violence. (sub. 47, p. 11)

While Victoria Police noted the (social) costs and benefits associated with urban design, the majority of other submissions focused on the benefits. The benefits of good urban design highlight the lost opportunities (or costs) associated with poor urban design. For example, Fed Square Pty Ltd noted Federation Square had helped in:

- building creative activity
- expanding educational and lifelong learning opportunities
- adding to the canvas of cultural and recreational opportunities
- improving the quality of community interaction and improving the quality of life in the city
- building the opportunity for community, educational, creative and business partnerships (sub. 11).

The Parks Forum similarly noted:

Well-designed, centrally located parks serve as places for young people, families and cultural groups to come together and participate in outdoor sporting activities and build community cohesiveness. (sub. 16, p. 2)

The planning and design of housing developments (both old and new) to ensure the maximum possible benefits, including social benefits, were captured was also cited by a number of submissions as important. For example, VicHealth drew attention to the *Creating Liveable New Communities* project (box 8.1) and noted:

... work is being undertaken with the Growth Areas Authority and other partners (MAV, PIA, Heart Foundation, DPCD, DHS, Housing Industry Association, and VicUrban) on the *Creating Liveable New Communities* project. The project aims to create a body of knowledge that identifies key elements needed to create sustainable and liveable new communities. (sub. 36, p. 7)

### **Box 8.1      Creating Liveable New Communities**

The Growth Areas Authority (GAA) is undertaking the *Creating Liveable New Communities* project to identify key elements needed to create sustainable new communities in Melbourne's growth areas. The project aims to develop a strategic framework and 'best practice' tools to enable the GAA and partner organisations to create safe, healthy, active and strong communities. Features of the new communities will include walkable neighbourhoods and clustering of services and facilities close to public transport. The project will contribute to delivering the planning principles of *Melbourne 2030* by promoting excellent neighbourhood design and making people feel safe.

Source: DPCD nd(b).

The Community Housing Federation of Victoria (sub. 25) also argued that poor urban design that fails to accommodate different housing types (reflected in size, quality and cost of dwellings) will limit the scope for a diverse population and this will, in turn, be detrimental to the local area as social and economic opportunities may be missed.

Having an appropriate mix of housing is also important for business competitiveness, with housing in reasonable proximity to places of employment

being important to the ongoing viability of businesses. Issues associated with competitiveness were explored in chapter 5 and accessible housing is explored in more detail in appendix C.

More broadly, the absence of good urban design can reduce the scope for:

- opening up areas and amenities
- boosting city pride and a sense of belonging
- reducing the need for high profile security arrangements
- increasing feelings of safety both within sites and beyond them (CABE 2001).

Summing up, the principal social costs of poor urban design include social isolation, community disconnectedness and a decline in safety and wellbeing.

### **8.3.3 Environmental costs of poor urban design**

Poor urban design can generate or exacerbate environmental challenges. Localised environmental costs associated with poor urban design include:

- inefficient use of resources (incurred as a consequence of addressing poorly designed areas, such as a lack of suitably placed bike paths/pavements that encourage car use)
- lack of, or poorly designed parks that results in a lack of suitable habitat for plants and animals (including humans)
- litter, potentially due to lack of strategically placed rubbish receptacles
- greater scope for antisocial behaviour, with corresponding negative social implications (section 8.3.2)
- decline in the character of a place — for example, trees planted along a road can have a positive environmental and visual benefit.

Environmental issues are discussed in more detail in chapter 10.

As discussed in previous sections, the environmental costs of poor urban design can also be illustrated through the absence of environmental benefits associated with good urban design. The OVGA, for example, noted that ecological sustainability is a fundamental aspect of good design and that:

Good design does not only reduce the embodied energy and energy consumption of a development but it can also increase its useable lifespan and facilitate flexibility of use. The more intensely a building is used over a longer lifetime the more sustainable the building becomes. (sub. 53, p. 11)

Parks Victoria argued good urban planning and design for green space is important for its intrinsic value, for the services it provides and experiences and education that it allows:

The natural world holds intrinsic value: it is important in itself quite apart from the presence or needs of people and has a right to exist and be protected. Natural systems also provide services that are vital to community well-being, such as clean air and water. Victoria's parks play a crucial role in ensuring these services. They also provide many opportunities to learn about and explore the natural environment as well as to engage in experiences relating to their natural and cultural values. (sub. 7, attachment 2, p. 26)

A number of submissions also highlighted the importance of more sustainable transport planning for environmental and/or economic reasons. For example, DOI/DOT noted:

Reducing the impact of road-based private and freight vehicles is a priority for lowering the environmental impact of our transport systems, and also for maintaining the long-term liveability of Victoria. (sub. 52, p. 9)

Transport issues are discussed in more detail in chapter 9.

Summing up, the environmental costs of poor urban design include:

- discouraging the efficient use of scarce, non-renewable resources
- increasing emissions by increased reliance on cars for transport (less walking and cycling also helps discourage social interaction and participation in community activities)
- discouraging the conservation of green spaces
- decreasing awareness and appreciation of the natural environment (NZ Ministry for the Environment 2005).

There are, therefore, wide ranging economic, social and environmental benefits and costs associated with urban design. Due to the complexity of these issues the Commission concludes that quantification of the costs of poor urban design is difficult to determine but qualitative information leaves no doubt that Victoria's liveability could be enhanced through the support of appropriate urban design policies.

*Information Request:*

*The Commission seeks further examples of the economic, social, and environmental costs and benefits of urban design in metropolitan and provincial Victoria.*

## **8.4 How sustainable urban concepts have been adopted internationally**

The terms of reference require the Commission to report on the planning, design and implementation of sustainable urban concepts and systems in other jurisdictions — both in Australia and internationally — that are focused on

achieving liveability goals, and comment on the potential applicability of such approaches in Victoria.

Sustainable urban concepts and systems refer to urban settlements which are planned so as to balance social, economic and environmental goals in order to enhance liveability. There is a close link between planning mechanisms and policies and the promotion of sustainable urban concepts. Appropriate planning and design is required to create sustainable urban areas.

There is no single description of urban sustainability, due to differing circumstances around the world and divergent views about *what* is to be sustained. Sustainable urban concepts have, however, been adopted by numerous cities around the world.

To determine the potential applicability of this international experience to Victoria, the Commission asked Urbis Pty Ltd (Urbis) to examine how other cities had implemented their policies concerning sustainable urban concepts. The cities selected were Vancouver (Canada), Barcelona (Spain), Dublin (Ireland) and Liverpool (United Kingdom).

A summary of Urbis' report is available in appendix D and Urbis' full report is available on the Commission's website: [www.vcec.vic.gov.au](http://www.vcec.vic.gov.au).

#### **8.4.1 Key lessons from international experience**

In observing the success of implementing sustainable urban concepts in Vancouver, Liverpool, Barcelona and Dublin, the Commission notes that:

- some strategies similar to *Melbourne 2030* have been implemented internationally — for example, there has been an emphasis on ensuring 'green zones' and ensuring a 'compact city'
- there is no distinctly different approach that has led to markedly better outcomes for social, environmental and economic objectives
- all the cities studied had governance structures in place to permit an holistic approach to planning across the greater city area.

Other high level observations and conclusions from international experience suggest:

- collaboration (with local governments and the private sector) is important if an holistic city-wide development is to occur
- governance arrangements — focusing on managing the tension between the legitimate perspectives of local communities and the city as a whole — need to be transparent and robust, with clear city priorities set
- annual reporting on progress is important if continuous improvements are to occur

- a willingness to change and adapt is required if emerging challenges — population, environmental and technological — are to be met and successfully addressed.

Summing up, international experience at planning, design and implementing sustainable urban concepts to achieve liveability goals do not provide markedly better models for enhancing liveability, but can provide insights into how Victoria's liveability could be enhanced. As the characteristics of each city are different each approach taken to address liveability concerns is different. There are, however, some broad lessons that may be of use in Victoria. These relate to collaborative strategic planning, holistic governance arrangements, regular reporting, and adaptation in the face of challenges.

## **8.5 The role of government in urban design and planning**

Planning issues and most aspects of broad urban design are primarily the responsibility of state and local governments (sections 8.5.1 and 8.5.2), with the Commonwealth Government having a more limited role (section 8.5.3). This section explores the different responsibilities of these players and seeks to identify improvements in how they operate (section 8.5.4).

Further information on aspects of Victoria's planning system is available in the Commission's report into *Regulation and Regional Victoria: Challenges and Opportunities* (available at: [www.vcec.vic.gov.au](http://www.vcec.vic.gov.au)).

### **8.5.1 Local governments**

Local governments have a strong role to play in relation to place making, urban design and the public realm (City of Boroondara, sub. 48). Local governments are primarily responsible for the preparation and administration of local planning schemes. As the planning authority, they research and draft local planning schemes subject to State Government approval — including the municipal strategic statement — and usually initiate amendments to the planning scheme. They also oversee the operation of the permit process, make decisions on permit applications and enforce the planning scheme and permits (VCEC 2005). The Municipal Association of Victoria (MAV) noted that local governments have:

... an important role to fulfil in ensuring the interests of communities are represented when developing local planning schemes and assessing applications. (sub. 22, p. 14)

Local governments are able to influence planning and urban design within their municipalities through their Local Planning Policy Framework (LPPF), which is part of their planning scheme. The LPPF contains a municipal strategic

statement and local planning policies. The framework identifies long term directions about land use and development in a municipality, presents a vision for its community and other stakeholders and provides the rationale for the zone and overlay requirements and particular provisions in the scheme.

While each municipality has its own planning scheme, all schemes must be consistent with the State Planning Policy Framework. However, state and Commonwealth authorities and agencies are not required to submit their development plans for local government approval. The issues associated with determining what level of government is most suited to developing and implementing control over planning — issues of subsidiarity — are raised in chapter 3.

## 8.5.2 Victorian Government

There is a number of State Government stakeholders in planning and design issues in Victoria, particularly the Minister for Planning, DPCD, the Victorian Civil and Administrative Tribunal (VCAT) and the OVGAs.

The Minister for Planning has overall responsibility for the state's planning legislation and framework. The minister has wide ranging powers that include the ability to grant exemptions from complying with legislation, set ministerial directions, approve planning scheme amendments and intervene in planning processes.

DPCD has administrative responsibility for the framework and practice of planning in Victoria, reporting to the Minister for Planning. Its responsibilities include:

- preparing the standard provisions for planning schemes
- reviewing planning scheme amendments
- playing a significant part in numerous planning initiatives across Victoria including *Melbourne 2030*, *Activity Centres*, *Transit Cities* and *Green Wedges* providing design advice to engineers and urban planners in implementing urban design principles and policy <sup>2</sup>
- producing urban design guidelines and conducting training to help practitioners understand them <sup>3</sup>
- oversight of VicUrban and the Growth Areas Authority (GAA)
- advising the minister in the exercise of his powers.

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<sup>2</sup> Other planning initiatives DPCD is involved with include *Coasts and Waterways*, *Urban Development Program*, *Regional Planning*, *Creating Better Places* and *Growth Area Planning*.

<sup>3</sup> Urban design guidelines produced by DPCD include *Activity Centre Design Guidelines*, *Guidelines for Higher Density Residential Development*, *Safer Design Guidelines* and *Interim Design Guidelines for Large Format Retail Premises*.

VCAT, through the *Victorian Civil and Administrative Tribunal Act 1998* (Vic.), considers a range of disputes relating to planning scheme administration and planning permit decisions.

The OVGA provides leadership and strategic advice on architecture and urban design, and promoting awareness of how good design can make great living places and urban environments. It aims to:

... encourage high quality buildings and public places that:

- are engaging, diverse and inclusive;
- are environmentally, economically and socially sustainable;
- promote confidence and well-being in the community; and
- are culturally rich, resonant and poetic. (sub. 53, p. 3)

The Victorian Government and related state authorities therefore have a large degree of influence over the planning and design of local communities, principally through:

- direction of planning policy through the State Planning Policy Framework and *Melbourne 2030* strategy
- supervision and alteration of proposed planning scheme amendments
- ministerial discretion over planning issues for particular sites
- VCAT review of planning decisions made by local governments.

### **8.5.3 Commonwealth Government**

Historically the Commonwealth Government has largely influenced urban development through economic and taxation policies. There have, however, been a number of further involvements:

- between 1945–49 it initiated the Commonwealth-State Housing Agreement which provided low interest loans to the states for housing projects such as public housing
- from 1972–75 it established the Department of Urban and Regional Planning which funded urban renewal programs, increased sewerage networks and pursued policies of decentralisation with the *New Cities* program
- in 1994 it established the Department of Housing and Regional Development to investigate issues of microeconomic reform, social justice and environmental sustainability — the *Better Cities* program was one of its major initiatives (Playford 2001)
- in 2004 it celebrated the Year of the Built Environment to promote education and debate and raise awareness of the built environment and sustainability issues (Parliament of the Commonwealth of Australia 2005).

The Commission understands that today the Commonwealth Government's direct involvement in planning and urban design is limited, with decisions largely left to states and territories. Four key areas where the Commonwealth Government remains involved include:

- the National Land Transport (*Auslink*) Network, which is an integrated network of land transport linkages of strategic national importance, which is funded by Commonwealth, State and Territory Governments<sup>4</sup>
- authority over planning in Commonwealth-owned airport land, as detailed in the *Airports Act 1996* (Cwlth.)<sup>5</sup>
- the management and release of Commonwealth land, of which there is more than \$6 billion worth across the country (ALP 2007a)
- policies to facilitate first home ownership and availability of rental properties.

### 8.5.4 Opportunities for improvement

A number of submissions suggested scope for improvement in the planning processes in Victoria. In particular, it was emphasised that improved communication between different tiers of government and a more strategic approach to land use could yield significant enhancements to Victoria's liveability — both these issues are discussed below.

#### Improved intergovernmental relationships

A number of inquiry participants (Planning Institute of Australia (sub. 21), MAV (sub. 22), City of Boroondara (sub. 48), OVGA (sub. 83)) suggested Victoria's liveability could be enhanced if interaction and co-operation between the different tiers of government on planning issues were improved. The Planning Institute of Australia (PIA), for example, suggested a whole-of-government partnership approach would improve outcomes through:

- allowing the Commonwealth to more fully achieve national goals for prosperity, social security and health;
- improving the impact of Commonwealth programs through 'place management' and 'joined up' approaches to service delivery; and
- allowing the States and local governments to properly fulfil their potential as urban and regional managers. (sub. 21, attachment 1, p. 9)

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<sup>4</sup> *Auslink* is based on national and inter-regional transport corridors including connections through urban areas, links to ports and airports, rail, road and intermodal connections that together are of critical importance to national and regional economic growth development and connectivity.

<sup>5</sup> Whilst the requirements of the Act are comprehensive, they do not require the airport-lessee company to have explicit regard to state or local planning regulations within their master planning or major development. That said, the Commonwealth Department of Infrastructure, Transport, Regional Development and Local Government has produced the *Airport Development Consultation Guidelines* (December 2007), which emphasises collaboration with state and local governments.

The PIA also suggested that to achieve a whole-of-government partnership in planning the Council of Australian Governments (COAG) should be harnessed and that a national charter for Australian Sustainable Development should be established. COAG would allow the state and Commonwealth governments to ‘resolve a set of time bounded national objectives regarding sustainable development’ (sub. 21, attachment 1).

The OVGA similarly suggested that COAG be harnessed to improve outcomes, although they argued COAG should focus on developing a national urban design charter and noted:

Add good design in our built environment to the Council of Australian Governments (COAG) agenda, and seek COAG support for policy supporting better built environment outcomes throughout Australia, (this would assist where federal and state jurisdictions intersect – frequently the site of poor design outcomes due to poor coordination of policy). (sub. 53, p. 19)

The PIA also suggested a commission be established to evaluate and monitor proposed plans or policies from all tiers of government, and its role would be to:

... scrutinize and endorse (or otherwise) the sustainable development plans and policies proposed by signatory governments and to rigorously monitor progress towards the agreed sustainability outcomes in each jurisdiction. (sub. 21, attachment 1, p. 15)

Calls for the Commonwealth Government to become more actively involved in encouraging more sustainable cities, including through the mechanisms detailed above, are not new. A 2005 House of Representatives Standing Committee on Environment and Heritage (HRSCEH) inquiry — *Sustainable Cities: Report on the Inquiry into Sustainable Cities* — examined many of these issues and put forward recommendations to improve how the current system operates. In particular, HRSCEH suggested that outcomes could be improved if the Commonwealth Government:

- established an Australian Sustainability Charter that sets key national targets across a number of areas, including for building design and planning
- encouraged a COAG agreement to the charter and its key targets.

The Commission is unaware of any specific action that has been undertaken to address the issues highlighted in HSRCEH’s report and the Commission notes that the previous government did not respond to the report. Should the current Commonwealth Government respond to this report, the Commission notes that a question to be resolved is how any benefits associated with HSRCEH’s recommendations could also accommodate local preferences and the principles of subsidiarity (chapter 3). The Commission notes that a 2007 media release by the current Commonwealth Government (then in Opposition) emphasised the

importance of the then Commonwealth Government responding to HSRCEH's report (ALP 2007b).

A number of inquiry participants (MAV (sub. 22) and City of Boroondara (sub. 48)) also suggested improved coordination between the Victorian and local governments could enhance liveability. For example, MAV noted:

The inquiry should provide scope for increasing intergovernmental collaboration in planning policy and involving local government in State Government long-term release strategies. (sub. 22, p. 16)

The City of Boroondara similarly suggested:

There is scope for the Department of Planning and Community Development to take a much stronger leadership role and to develop more effective partnerships with local government. (sub. 48, p. 13)

As a general principle, the Commission sees improved communication between the state and local governments as a goal that should be pursued, as it improves the scope for optimal outcomes to be achieved with regard to both local and broader needs.

In summary, the Victorian Government should encourage all tiers of government to take account of good urban design principles in planning decision making processes. Requesting the Commonwealth Government to respond to the report on the inquiry into sustainable cities is one approach through which this could be facilitated.

### **A strategic approach to land use planning in Victoria**

Stakeholder discussions and inquiry submissions suggested there is concern with the level of integration in land use and transport planning occurring in Victoria. It was suggested that greater coordination of transport and land use planning would help ensure governments were better able to meet challenges in a proactive and comprehensive (strategic) manner, and introduce improvements in transport and land use which maximise social and economic benefits. For example, the Metropolitan Transport Forum noted 'it is essential that State planning recognises the critical link between urban and transport planning and their interrelated costs' (sub. 60).

MAV recognised the importance of a more holistic approach to planning and noted that it:

... believes that increasing Victoria's liveability and competitiveness requires the effective integration of housing policy, transport planning, strategic land use planning and sustainable development. (sub. 22, p. 4)

Wellington Shire Council similarly noted:

There is a strong relationship between planning for transport, land use and other areas, such as economic development, education and health. Integration is needed across these sectors and across levels of planning, locations and decision makers. (sub. 24, p. 5)

DOI/DOT also recognised the benefits of effective integration of land use planning and transport policies and noted that better integration could assist in:

- reducing the need to travel;
- reducing the length of journeys;
- making it safer and easier for people to access services;
- reducing the impact of transport on communities;
- improving freight access to key terminals and improved freight flows;
- providing for the efficient distribution of goods and services to business and community;
- providing a choice of travel modes; and
- ensuring flexibility to meet the demands of a changing economy and market environments. (sub. 52, p. 4)

The World Bank (2000) and the United Kingdom Treasury — the (UK) ‘Eddington’ report (2006) — have also recognised the importance of adopting a more holistic approach to planning and noted, for example, that joint planning of transport infrastructure and housing is fundamental to the success of regional development. Transport issues are discussed in more detail in chapter 9.

In seeking to improve the strategic approach to land use planning in Victoria it is important to recognise the legitimate tensions that will have to be addressed between local and city perspectives. This tension reflects the often divergent views of local and state governments in seeking to improve the liveability of their constituents. This is an issue associated with subsidiarity and the appropriate allocation of authority (chapter 3). This tension was recognised by a number of inquiry participants including the PIA which noted there are:

... conflicts between varying state and local objectives ... are often experienced when considering the notion of liveability in a planning context. (sub. 21, p. 1)

The City of Boroondara also recognised this tension and noted that it would continue until such time as there was appropriate respect and recognition of the roles and responsibilities of the different tiers of government. In particular, it noted:

... Local governments must be afforded sufficient independence in the exercise of strategic and statutory planning functions in order to appropriately respond to the challenges of achieving high standards of liveability for their communities. ... The current approach to State-Local government relationships by the Department of Planning and Community Development (DPCD) is considered to be authoritative and not properly respectful of the valid authority of local government. (sub. 48, p. 18)

The Public Transport Users Association also noted the inherent tensions that result when dealing with different tiers of government:

Regardless of the actual division of roles and responsibilities, there will always be interdependence between functions carried out by different tiers of government. ... The institutional framework must accommodate these interdependencies and remove barriers to successful coordination of decisions, regardless of how roles are allocated between tiers. (sub. 45, p. 23)

Tensions, and the consequential conflict, resulting in delays (and costs) in planning processes, have likely hindered the capacity of the goals of *Melbourne 2030* to be fully met. Hobsons Bay City Council recognised the importance of addressing these delays when it noted that:

The planning system is extremely complex and time consuming. It is typical for a planning scheme amendment to take 3–4 years from start to finish regardless of the ‘better decisions faster’ reforms. (sub. 13, p. 1)

The Victorian Government has also recognised the impacts of planning delays, with the Minister for Planning recently stating:

... in many instances it takes almost five years to get land from a greenfield site to having people walking in the front door of their homes. Five years is too long ... There are too many steps that are duplicated in the process currently, and what we want to see is a reduction in that duplication to streamline the process and get more land onto the market as quickly as possible. (Madden 2008, pp. 559–60)

Tensions in the planning process were also identified in provincial Victoria (chapter 7). In particular, a number of inquiry participants suggested the strategic approach to planning implemented in Melbourne was not appropriate for provincial areas and detracted from the liveability of provincial areas. For example, the City of Greater Shepparton noted:

... that metropolitan standards are often applied and enforced without any regard for regional circumstances, and as such are potentially inefficient and in fact can be counterproductive to liveability and competitiveness. (sub. 32, p. 7)

The Victorian Government has recognised the need to address some of these tensions and delays and has initiated a number of reforms and reviews to improve the planning process in Victoria (appendix C). This is, however, an ongoing challenge and a number of inquiry participants suggested more be done in this area.

### ***A more holistic approach***

The Commission has considered international experience (section 8.4.1 and appendix D) and views expressed by stakeholders to assist it in developing options to facilitate more holistic planning with improved strategic and better integrated land use and transport policies within Victoria. The Commission

suggests the following three options could be explored to facilitate improved strategic and better integrated land use and transport policies within Victoria:

1. creating a new overarching body responsible for the strategic planning and development of Melbourne and possibly for Victoria
2. retaining the current arrangements (status quo) but with some improvements
3. building on the facilitating role of a GAA type body, with applicability across Melbourne in the first instance.

These options are not mutually exclusive. For example, there is scope to improve the current arrangements (option 2) while building on the role of a GAA type body (option 3).

#### *Option 1: A Greater Melbourne Authority*

In the Commission's discussions with stakeholders the potential benefit of the establishment of an overarching urban planning authority (including representatives of state and local governments), a single Greater Melbourne Authority was raised (including at a roundtable discussion). It was suggested that a Greater Melbourne Authority could greatly enhance the scope for strategic land use and planning to be implemented within Melbourne. If appropriately developed, such an authority would seek:

- an appropriate balance between state and local government responsibilities to ensure strategic planning was achieved while ensuring that the interests of local communities are respected
- development of a single strategic plan in consultation with the relevant state and local governments to ensure consistent policy directions.

Such an authority would need clearly defined statutory authority. It was emphasised that such an authority should not be a 'new' Melbourne and Metropolitan Board of Works (box 8.2), but rather a responsive, inclusive and carefully balanced authority that could effectively navigate the various challenges associated with town planning in Melbourne from both a greater city perspective and an understanding of the legitimate concerns of more local communities. There is some question whether this option could achieve that result.

The potential benefit of having a single planning authority or alternatively a single Greater Melbourne local government is that many of the pitfalls associated with departments working separately are avoided. In particular, the need for policy intervention from a variety of agencies may be reduced and the benefits of more integrated policy realised.

## Box 8.2 **Melbourne and Metropolitan Board of Works**

The Melbourne and Metropolitan Board of Works (MMBW) was formed in 1891 and ceased operating as an organisation in 1992. While its roles changed over the years, it was primarily responsible for:

- water supply and sewerage functions — it managed a number of storage reservoirs, as well as pumping stations and the Werribee Treatment Farm in the sewerage system
- main drains and storm water functions — it looked after rivers, creeks, drains, surface water and flood control
- town planning functions — in 1954, it was affirmed as the permanent planning authority for Melbourne and the metropolitan area, including a responsibility for parks. This role ceased in July 1985.
- highways, bridges and foreshores functions — between 1956–74 it constructed and maintained various highways and bridges, and had responsibility for foreshore protection.

In 1991, it merged with a number of local water authorities to form Melbourne Water, and shortly thereafter the MMBW was disbanded. MMBW's town planning functions as well as infrastructure responsibilities are now largely undertaken by DPCD, DOT and Parks Victoria.

Source: Public Record Office Victoria 2005.

A significant challenge associated with this approach is the desirability of state and local governments ceding to a significant extent their current decision making for planning permits to another authority.

There would be a number of issues that would need to be addressed in considering such an authority, including:

- the need for extensive consultation in developing the proposal
- the scope of its responsibility and its level of authority
- its level of independence (from state and local governments)
- its governance arrangements and impact of local democratic influences on local proposals (the subsidiarity issue)
- performance monitoring system
- revenue raising capacity.

In addition, a rigorous cost benefit analysis of any approach would need to be undertaken if such an initiative were to be pursued.

The Commission has not seen evidence to warrant such radical change and the need for such a centralisation of authority given the likely adverse impact on public accountability, particularly at the local level and potentially adverse

impacts on liveability. The model is not informed by an adequate regard to the principle of subsidiarity (chapter 3).

*Option 2: Status Quo — current approach but with improvements*

Under this approach different parts of government would largely continue to operate with their current responsibilities but they would seek to work more collaboratively. The government would continue the reform processes currently underway.<sup>6</sup>

Option 2 would include ensuring more efficient outcomes by encouraging more ‘joined up government’ initiatives, including for urban planning issues. The recent creation of DOT seems to represent a step towards a more ‘joined up’ approach for government in land use and transport planning, with the functions previously undertaken by the Coordinator-General, Infrastructure now being a key focus of the new Department through the Office of the Secretary.

The importance of improved coordination was recognised by MAV, which noted:

... these problems [issues associated with inequality] could be avoided through better communication and coordination of planning between all levels of government (and between the relevant state government departments) and private developers. (sub. 22, p. 10)

In Dublin, Ireland, a partnership approach (a joined up government approach) to address planning and liveability challenges has been adopted. In particular, Dublin City Council created the Dublin City Development Board through a strategic partnership with representation from the four sectors of local government, local development, statutory agencies and social partners; with Dublin City Council as the lead agency. The aim of the Dublin City Development Board is to:

... enhance the coordination and integration of public service delivery, while maximising the contribution of all stakeholders to the betterment of the social, economic and cultural life of the City. (DCDB, cited in Urbis 2008, p. 40)

Further information on the success of Dublin’s plan to address its liveability challenges are examined in more detail in appendix D.

Governments can also work in partnership with the private sector to ensure more efficient sectoral policies are delivered and that outcomes are maximised. For example, in January 2005, a partnership was established between the Shire of

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<sup>6</sup> The Victorian Government has released a discussion paper outlining a broad structure for three new planning zones — the substantial change zone, the incremental change zone and the limited change zone. The new zones are intended to more directly reflect the objectives of state and local planning policies and to provide better tools for local governments to manage the diverse and changing housing needs of their communities. The consultation process for the new zones has only recently closed (18 April 2008) and work on this initiative is continuing.

Melton, a developer and the Department for Victorian Communities (now DPCD) to trial a new way of planning and delivering infrastructure and services in a new development (Caroline Springs). An August 2007 evaluation report on this project, *Strengthening Local Communities: Integrated Local Area Planning in Growth Suburbs*, found that ‘all partners believed the partnership met its objectives’ and that the ‘outcome has been a better planned community in Melbourne’s growth area’ (DVC 2007b, p. 6). As one person noted:

... If you get it right in these new suburbs now ... if you create vibrant self-sustaining new suburbs now...you won’t have to worry about it for the next 50, 100 years. (cited from DVC 2007b, p. 6)

A pre-requisite for effective collaboration between governments (and between government and non-government organisations) is that governments have access to sufficient skills and resources. A recurring theme found in many of the Commission’s inquiries is that the implementation of state and local policies and regulations is significantly impaired as a result of local governments not having sufficient resources, personnel or training — this is particularly true for many local governments in provincial areas. While local government funding arrangements are beyond the scope of this inquiry, the Productivity Commission (PC) has recently finalised a report that examined this issue — *Assessing Local Government Revenue Raising Capacity*. The PC report found inter alia that most local governments could do more to help themselves (PC 2008). The Commission, however, notes that planning fees have only increased 2 per cent over the last ten years, a substantial reduction in real terms. Limitations on cost recovery can unnecessarily diminish the revenue raising capacity of local governments.

Robust performance monitoring can also identify whether results are meeting expectations and whether additional measures are warranted. Recognising a need for measuring performance in planning, the Commission recommended in its report into *Regulation and Regional Victoria* (VCEC 2005b) that the Victorian Government, in conjunction with local governments develop a set of target performance indicators to measure the performance of the planning system and of local governments’ implementation of that system. In developing these indicators the government was to assess what minimal additional data might be required to support a robust state-wide monitoring system. The Commission is unaware of when these performance indicators will be available, although in its response to the 2005 inquiry the Victorian Government indicated it was working on developing such indicators.

The Commission also considers that information to improve the planning interface between local and state governments may be elicited from a survey of local governments. In particular, there may be merit in developing a survey to assess the extent to which local governments find information provided by the Minister on intervention in planning and heritage matters useful to future

decision making. From discussions with stakeholders, and through examination of Ministerial decisions on interventions, the Commission considers that reasons cited for calling in a decision often provide limited insight into specific actions that local governments can implement to improve their processes — the reasons cited are often couched in broad terms with reference to policy statements and election commitments. The Commission has been unable to gauge the extent to which the advice prepared by the Minister provides enough information for local governments to implement change and suggests that more information is required to clarify this issue and finds that there is merit in finding out more on this issue.

*Option 3: Building on the Growth Areas Authority*

Another approach to facilitating a more strategic approach would be through building on the role of the GAA as a facilitator of better planning outcomes, initially for the greater Melbourne area and possibly later on a Victoria wide basis. Established in 2006, the GAA is an independent statutory body with a broad, facilitative role to help create greater certainty, faster decisions and better coordination for all parties involved in planning and development of Melbourne's growth areas (box 8.3).

**Box 8.3 The goals of the Growth Areas Authority**

The goals of the GAA are to:

- develop communities in growth areas that are socially, environmentally and economically sustainable
- work with industry and local governments to ensure economic, employment and housing priorities are achieved in Melbourne's five growth areas
- improve the operation of regulatory and administrative processes over time to reduce costs and increase efficiencies for developers and local governments.

The GAA also facilitates the delivery of the Victorian Government's plan for outer urban development, *A Plan for Melbourne's Growth Areas*. This plan sets out a vision for Melbourne's growth areas over the next 25 years (GAA nd). In seeking this vision for Melbourne's growth areas, the GAA can also work with private sector developers. For example, the GAA and the PIA have recently announced an agreement to work with a major residential developer to plan one of Australia's most liveable new suburbs (PSnews 2008).

Sources: GAA nd and PSnews 2008.

By establishing a similar body for established metropolitan areas or expanding the role of the GAA, a new and more collaborative approach to development in Melbourne's metropolitan area could result. This new authority, with a facilitating rather than authoritative role, could cover residential, commercial and industrial land uses, parks and open space networks, and the use of land for services and infrastructure. For this approach to be effective within a

metropolitan area there would need to be a robust understanding of the availability of all metropolitan land unused and/or under government ownership. An audit, undertaken by DPCD, to identify this land would therefore be required if this body is to have any scope to meet its objectives. If proved successful, the use of a GAA type approach could be extended to provincial Victoria.

The Property Council of Australia suggested the ‘current lack of coordinated planning and infrastructure development throughout metropolitan Melbourne’ could be addressed through the establishment of such a body and noted:

The Growth Areas Authority (GAA) has been established to coordinate outer-urban development. The Property Council welcomed this move, however, our position has not changed and we consider a similar body is needed to coordinate development and infrastructure at the metropolitan and state wide level. (sub. 33, p. 5)

The Commission also considers that modest financial supplementation to the GAA and any similar organisation, may be beneficial. In particular, the ability of the GAA and other bodies to encourage greater coordination through the provision of appropriate resources would be necessary. The economic benefits flowing from better planning would need to be sufficient to justify the initial financial incentives.

In its inquiry into *Options for Managing Transport Congestion* (VCEC 2006) the Commission highlighted the scope for agencies similar to the GAA to be established in other regions, but noted this should be informed following a three-year performance assessment of the GAA. The GAA’s three year anniversary is fast approaching, and given that the Victorian Government, in its response to the transport congestion inquiry, has indicated support for the ongoing monitoring of the GAA’s performance, the Victorian Government may soon be well placed to determine the appropriateness of application of the GAA model to metropolitan areas in its response to the Commission’s final report into liveability. A review of the GAA’s performance may also allow the opportunity to assess how the GAA model could be developed having regard to appropriate governance arrangements, to meet the broader needs envisioned for a Melbourne or Victorian model, particularly responding to the liveability needs of Victorians.

## 8.6 Summing up

**There are wide ranging economic, social and environmental benefits and costs associated with urban design. Due to the complexity of these issues the Commission concludes that quantification of the costs of poor urban design is difficult to determine but qualitative information leaves no doubt that Victoria’s liveability could be enhanced through the support of appropriate urban design policies (draft finding 8.1).**

*The Commission seeks further examples of the economic, social, and environmental costs and benefits of urban design in metropolitan and provincial Victoria. (Information request.)*

**There are efficiency gains to be captured through good planning and community infrastructure (draft finding 8.2).** While there is some evidence supporting the efficiency advantages of good planning and community infrastructure, more evidence — particularly best practice examples — is required.

*The Commission seeks further examples, if possible with supporting quantitative information, of the possible efficiency gains and other advantages that can be achieved through good planning and the provision of community infrastructure in metropolitan and provincial Victoria. (Information request.)*

**In examining the planning, design and implementation of sustainable urban concepts and systems in other jurisdictions — Vancouver (Canada), Liverpool (United Kingdom), Barcelona (Spain) and Dublin (Ireland) — the Commission finds that international experience of planning, design and implementing sustainable urban concepts to achieve liveability goals do not provide markedly better models for enhancing liveability, but can provide insights into how Victoria’s liveability can be enhanced. However, as the characteristics of each city are different each approach taken to address liveability concerns is different. That said, some broad lessons that may be of use in Victoria relate to collaborative strategic planning, governance arrangements and adaptation in the face of challenges (draft finding 8.3).**

**Encouraging all tiers of government to take account of good urban design principles in planning decision making processes would be beneficial. As an example, requesting the Commonwealth Government to respond to the report on the inquiry into sustainable cities is one approach through which this could be facilitated (draft finding 8.4).**

**Liveability could also be enhanced through the continued development of performance indicators for the planning system. There would also be merit in the Department of Planning and Community Development developing a survey to assess the extent to which local governments find information provided by the Minister on intervention in planning and heritage matters useful to future decision making (draft finding 8.5).**

**While recognising there are numerous initiatives currently in progress to improve land use planning co-ordination, the Commission has identified a number of mechanisms through which a more strategic approach to land use planning in Victoria could be implemented to enhance Victoria’s liveability. The Commission considers that improving current arrangements (Option 2) and building on the Growth Areas Authority (Option 3) merit careful consideration (draft finding 8.6).**

*The Commission seeks further information on the proposed models of reform and seeks comments on the need for reform in land use planning and the costs and benefits associated with the options suggested. (Information request.)*

**The Commission notes that statutory limitations on cost recovery can unnecessarily diminish the revenue raising capacity of local governments (draft finding 8.7).**

The relationship between the urban environment — an outcome of the planning system, community infrastructure and urban design — and liveability is complex and while there are liveability benefits associated with getting it right, there are costs to getting it wrong. While the Commission has sought to identify these costs and benefits, the provision of more information by interested parties would facilitate the Commission in finalising its report to Government.

## 9 Transport and liveability

### 9.1 Introduction

The terms of reference for the inquiry direct the Victorian Competition and Efficiency Commission (the Commission) to identify opportunities for government action to enhance the liveability of Victoria. This chapter discusses a range of transport issues, and their relationship with liveability and competitiveness.

There is a growing body of research which suggests that well-planned cities with good transport links can deliver a number of benefits that enhance liveability and competitiveness. The recently completed *East West Link Needs Assessment* (EWLNA) expressed the view that:

... research indicates that more compact, higher density cities achieve significant benefits, including:

- reductions in the amounts of energy and water consumed;
- reductions in vehicle trips and vehicle kilometres travelled;
- reductions in the rate of loss of biodiversity (as a result of lower rates of conversion of green space to residential use);
- reductions in the volume of building materials consumed and savings in dwelling construction costs; and
- improved human health as a result of less car use and greater pedestrian activity. (EWLNA 2008, p. 36)

In exploring transport issues, this chapter examines:

- the relationship between transport, liveability and competitiveness (section 9.2)
- recent reforms in transport policy (section 9.3)
- challenges in transport and scope for improvement (section 9.4).

Section 9.5 summarises the main findings and presents the conclusions of the chapter.

### 9.2 Transport, liveability and competitiveness

Victoria's transport systems — the networks of roads, train and tram lines, bicycle paths and footpaths, as well as the vehicles that use this infrastructure — can influence competitiveness and liveability in a number of ways. The quality of transport systems contributes to the liveability and competitiveness of places directly, as it facilitates meeting the travel and freight needs of individuals and businesses for work and leisure purposes. The availability of transport infrastructure and services facilitates access to markets, employment and services, which are key factors for both residents and businesses when choosing between

locations to work, live or enjoy recreation. It also affects other areas related to liveability and competitiveness, such as economic performance, productivity and lifestyles. For this reason, most liveability measures and studies include transport accessibility as one of their key components (chapter 2).

### **9.2.1 The importance of transport for individuals**

Transport is one of the basic factors that people consider in determining where to live and work. The time spent commuting to work every day is a major issue for many people and the availability and quality of transport services play a determining role in locational and modal choices. This is highlighted by evidence that total daily travel time and average travel time to work, over time and across geographic regions, are relatively constant (Mokhtarian and Chen 2004). In Melbourne, travel time to work has remained roughly constant over more than 150 years at an average of 20 minutes. The total daily travel time budget (including work and non-work related trips) is just over an hour (Ironmonger & Norman 2007).

Whilst travel times have been relatively constant, the transport needs of people have become more complex, driven by technological changes and increasing incomes. These more complex trips include non-work related travel and access to leisure and social activities, retail facilities, culture and various other services.

Transport and public transport in particular, is viewed as an important means of ensuring and maintaining social inclusion through addressing social connectedness, social equity and community issues (World Bank 2002). Transport needs vary substantially between individuals by age group, work force status, gender, income and lifestyle. There are some groups in society with special transport needs, such as elderly citizens and people with disabilities. Ensuring accessibility for these groups through the provision of appropriate transport services is particularly important to ensure that they can access services and engage with others. These issues are discussed in more detail in chapter 6.

Some participants expressed the view that inadequate transport infrastructure and services in specific areas can also lead to the formation of transport disadvantaged groups. This often seems to be the case in fringe and provincial areas where commonly the transport infrastructure is more limited and public transport is sparse or unavailable. The Municipal Association of Victoria (MAV) argued that in outer-metropolitan growth areas like Casey, Cardinia, Hume and Melton, families need to rely on two cars to be able to function properly and that in Caroline Springs around 35 per cent of the dwellings are not serviced by any form of public transport (sub. 22, p. 10). This is supported by survey evidence which shows that a number of households in the fringe areas of Melbourne earn less than average income, yet they operate two or more cars (Stanley et al. 2007).

Rising oil prices can put an extra burden on these households, especially if they cannot substitute other modes of transport for car travel.

The provision of public transport services in these areas is often seen as a key factor to address social equity and connectedness issues. For example, the Bus Association Victoria (BAV) expressed the view that:

- Public transport aids inclusion by helping combat social exclusion and helps to overcome social disadvantage.
- Adequate public transport permits all members of society to participate and facilitates both recreational events and work activities.
- Public transport, and walking and cycling appear to encourage social interaction however more research in this area is warranted. (sub. 23, p. 11)

Public transport in these areas can be particularly important to provide access and mobility to young people (Currie 2006). The Public Transport Users Association argued that:

Poor urban planning is especially burdensome for transport disadvantaged households. Around one third of people in Melbourne cannot drive ... Lack of transport limits access to education and employment with the result that young people in transport-poor areas of Melbourne experience significantly higher levels of unemployment and are much less likely to complete high school or attend tertiary education ... On top of the resulting personal disadvantage, this breeds broader social problems and reliance on government support. (sub. 45, p. 22)

Despite the increasing reliance on their cars, it is a general phenomenon in large cities that people move to fringe areas because of more affordable housing and make a trade-off between commuting time and housing costs. For those who need to get an additional car if they move to outer suburbs, the monthly cost would be roughly equivalent to adding \$67 000 to their mortgage.<sup>1</sup> Provided they can save \$67 000 on the cost of a house, running an extra car may be worthwhile, other things being equal. Rising interest rates increase the attractiveness of the 'fringe+car' option, whilst rising fuel costs diminish it.

Besides facilitating access to employment, services and recreation, well planned transport improvements can also contribute to creating a more liveable and sustainable environment through minimising the potential negative effects of traffic on the local environment. The Metropolitan Transport Forum (MTF) argued that:

Traffic spills from arterial roads onto local roads at the expense of local access and amenity, creates noise, pollution and accidents, while exacerbating

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<sup>1</sup> Calculation based on average full cost of car ownership amounting to \$133 per week (box 9.4), and on current interest rates. Changes in travel time or other preferences are not considered.

respiratory and other diseases. This all undermines the liveability of cities. There are also adverse effects in deterring street activity and social life. (sub. 49, p. 2)

Urban planning needs to consider transport issues so that it benefits people by creating amenity, a more attractive urban area, increased environmental and public space quality, and improved city or region image (DFT 2004). Shelley Penn from the Office of the Victorian Government Architect suggested that good micro examples of transport planning that create amenity are:

... well-located railway stations, road corridors and noise walls that are not only durable and structurally appropriate, but are also comfortable to use and look good in their context (Roundtable 3 transcript, p. 46).

### **9.2.2 The importance of transport for businesses**

For businesses, the quality of the transport infrastructure in terms of capacity and accessibility is crucial in providing a favourable business environment, and determining the competitive advantage of a location.

Depending on the type of business and industry, transport can be a primary issue for businesses to decide on the optimal location of their investments and production sites. But businesses' transport needs are not static — there have been changes over time in industrial structures, such as the growth of the services sector of the economy and high-tech industries, as well as the increasing reliance on just-in-time production and the resulting increase in demand for freight services. The EWLNA observed that the forces of economic growth, greater global integration of markets, and structural changes in the economy such as more outsourcing and growth in the service sector have meant that:

... the journeys that are important to Melbourne's economy are changing. The journeys that matter most to a services economy include face-to-face meetings, negotiations and transactions, personal contact with clients, advisers and suppliers, and relatively fast and efficient international connections (through airports and ports). (EWLNA 2008, p. 25)

The Commission noted in its 2006 report on transport congestion that growth and structural changes in the economy have led to the road network being increasingly used for freight movements. In its submission to that inquiry the City of Melbourne observed that several trends over the past 20 years have led to increased freight activity:

- smaller numbers of much larger production plants, which source their raw materials from further and serve a geographically larger market, have greater transport requirements
- the proliferation of different products servicing the same market need and providing more consumer choice requires significantly greater warehousing and transport facilities. (VCEC 2006, p. 43)

These trends are expected to continue, with recent research by the Bureau of Transport and Regional Economics (BTRE) suggesting that light commercial vehicles and trucks will be the fastest growing road user category by 2020 (BTRE 2004).

In this dynamic business environment, access to high quality transport infrastructure can contribute to business competitiveness in a number of ways, including:

- providing spatial access to markets, labour supply and physical inputs for production
- decreasing logistical costs, inventories and inventory costs
- facilitating more cost effective production processes, distribution and use of premises
- bringing businesses closer to each other and improving business cooperation, networking and facilitating the realisation of spillover effects
- creating new business opportunities by opening previously inaccessible sites for development (SACTRA 1994).

The availability of good transport infrastructure may increase the productivity of businesses through facilitating access to more, or a larger variety of factors of production, such as labour and capital. The importance of this link has been recognised by a number of empirical studies. For example, the ‘city productivity hypothesis’<sup>2</sup> suggests that access to employment is of crucial importance to the competitiveness of cities, because the efficiency of urban areas increases with the size of the labour market accessible to its residents (Prud’homme & Lee 1999). Therefore an efficient transport infrastructure can create more employment opportunities for inhabitants and increase the size of the labour force which has access to jobs in a given area. Places with developed transport networks are also more attractive for inward investment, which can provide finance for the development of local businesses.

The regional development literature presents ample empirical evidence that the level of GDP in a geographic region correlates to the level of transport accessibility (Knapp 2003).<sup>3</sup> Through increasing the productivity of businesses,

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<sup>2</sup> Many studies suggest that a positive relationship exists between city productivity and size. However, the benefits associated with city size are potential and conditional on the quality of city management. Through transport policies and urban planning, city management influences the efficiency of the transport system (in terms of speed) and the relative location of jobs and homes (in terms of sprawl) which, together with city size, determine the ‘effective size’ of the labour market. Based on the econometric analysis of city level data and case studies, Prud’homme and Lee (1999) argue that the productivity of a city is a function of the effective labour market size of the city.

<sup>3</sup> It should be noted that the direction of this relationship is ambiguous, as there is no consensus on whether economic development induces more developed transport infrastructure, or that better infrastructure generates economic growth.

transport can contribute to economic growth in the region. In turn, higher incomes can help to improve the liveability of a place.

A threat to business productivity is excessive levels of transport congestion. As noted in VCEC's congestion report, excessive congestion can increase operational costs to businesses through:

- requiring increased inventories, particularly when goods are perishable, difficult to warehouse or subject to rapid changes in value
- requiring freight companies to add vehicles and drivers and extend their hours of operation to compensate for longer travel times and less reliable pick-up and delivery times
- reducing the market reach for businesses, resulting in smaller plants with higher unit costs and less access to specialised inputs
- encouraging businesses to revert to less efficient production scheduling processes
- increasing labour costs demanded by employees in exchange for longer commuting times
- potentially reducing the competitiveness of Australian exports because of delays or uncertainty of delivery schedules. (VCEC 2006, p. 4)

Overall, this discussion highlights that transport is a key factor influencing liveability, because accessibility constitutes a basic need for both individuals and businesses. The following section summarises some of the key initiatives affecting the development of the transport system.

## 9.3 Recent reforms

In recent years the Victorian Government has given much attention to addressing various transport issues and has highlighted transport as a critical factor in ensuring the state's liveability and economic success. The government has developed and implemented a number of initiatives.

### 9.3.1 The current transport policy framework

The strategic policy framework which determines transport development in Victoria during the 2007–2010 period, includes the following policy statements (DOI 2007a):

- *Growing Victoria Together: The Victorian Vision for 2010 and Beyond*
- *Melbourne 2030: Planning for Sustainable Growth*
- *Linking Melbourne: The Metropolitan Transport Plan*
- *Meeting Our Transport Challenges: Connecting Victorian Communities*
- *National Transport Links: Growing Victoria's Economy*
- *Victorian Ports Strategic Framework*

- *Arrive Alive! 2002 – 2007: Victoria’s Road Safety Strategy*
- *Building One Victoria*
- *Victoria: Leading the Way Economic Statement*
- *A Fairer Victoria*
- *Moving Forward: Making Provincial Victoria the Best Place to Live, Work and Invest*
- *Our Environment, Our Future: Sustainability Action Statement*
- *Victoria’s Greenhouse Strategy and the Victorian Greenhouse Strategy Action Plan Update.*

The following sections summarise some of the key statements, focusing in particular on transport related objectives.

### **Growing Victoria Together**

In 2001, the Victorian Government released *Growing Victoria Together*, which outlined its vision for making Victoria a stronger, more caring and innovative state. Building faster, better, more accessible transport and communication links and linking Melbourne and regional ports to industry and agricultural centres across Victoria were identified as priority actions under the ‘growing and linking all of Victoria’ initiative. The initiative set out programs to develop better links between Melbourne and provincial Victoria, improve accessibility and efficiency, decrease the costs of congestion and develop urban roads and public transport around Melbourne with a focus on fast outer-city bus services linking suburban centres. Funding was allocated for a number of initiatives, including fast train services between Melbourne and provincial centres, re-opening country rail passenger lines, standardisation of Victoria’s regional rail system, and the Scoresby Integrated Transport Corridor to provide freeway and public transport improvements from Ringwood to Frankston (DPC 2005b). *Growing Victoria Together* reports on some of these transport outcomes.

*Growing Victoria Together* is discussed in more detail in chapter 4.

### **Melbourne 2030**

Released in 2002, *Melbourne 2030* is the Victorian Government’s long-term strategy for managing the growth and development of metropolitan Melbourne. As the title suggests, this strategy does not directly address specific provincial issues. The main thrust of the strategy was to enable an anticipated 660 000 extra households to be accommodated over 30 years in the Melbourne metropolitan area. With respect to transport objectives, *Melbourne 2030* outlines eight directions:

- upgrade and develop the Principal Public Transport Network and local public transport services to connect activity centres and link Melbourne to the regional cities

- improve the operation of the existing public transport network with faster, more reliable and efficient on-road and rail public transport
- plan urban development to make jobs and community services more accessible
- coordinate development of all transport modes to provide a comprehensive transport system
- manage the road system to achieve integration, choice and balance by developing an efficient and safe network and by making the most of existing infrastructure
- review transport practices, including design, construction and management, to reduce environmental impacts
- give more priority to cycling and walking in planning urban infrastructure and in managing our road system and neighbourhoods
- promote the use of sustainable personal transport systems (VCEC 2006).

The five-year audit of *Melbourne 2030* was commissioned in 2007.

### **Metropolitan Transport Plan**

In 2004, the government published the *Linking Melbourne: Metropolitan Transport Plan* (MTP) initiative to address the transport needs of the growing population in Melbourne, covering both established suburban areas and designated growth areas in the outer suburbs. The plan identified the following key issues for transport planning: improving safety, managing congestion and providing a transport system which is capable to support population growth and economic development.

To reduce congestion in the inner and established areas of Melbourne the plan outlined strategies to increase the efficiency of existing transport systems, including:

- improving the reliability and flow of public transport
- making existing roads operate better
- improving service coordination, integration and consumer interface
- promoting sustainable travel through better demand management.

Strategies for managing metropolitan growth in the outer areas considered the provision of newer infrastructure, including:

- improving outer metropolitan arterial roads
- increasing access via public transport in middle and outer areas
- improving access via the passenger rail network
- developing integrated transport in the Mitcham–Frankston corridor (DOI 2004).

## Meeting Our Transport Challenges

In 2006, the Victorian Government released *Meeting Our Transport Challenges* (MOTC) — a ten-year strategic plan for improving Victoria's transport system. MOTC develops a number of initiatives outlined in the MTP and provides specific programs for their implementation. MOTC provided for \$10.5 billion to be spent on transport over ten years on a range of projects including:

- capacity enhancements to Melbourne's major east west road corridor and upgrades to regional arterial roads
- improving cross-town connections to manage the increasing freight task between key freight centres, including the port and industrial areas in the outer west, north and south-east
- upgrades to Melbourne's rail system with a view to enhancing capacity and safety
- the progressive purchase of new trains and trams and a new train control centre
- the creation of a cross-town public transport network for Melbourne with SmartBus orbital services
- improvements in regional public transport to provide better connections within regional centres, between centres and outlying towns, and between regional areas and Melbourne to ensure that people living in regional areas have access to jobs, health services, education and recreational activities (DOI 2007b).

## Keeping Melbourne Moving

The Government has recently announced the launch of the \$112.7 million *Keeping Melbourne Moving* plan, consistent with its decisions on VCEC's transport congestion inquiry options, which provides short-term measures to ease congestion during peak hours along the most heavily congested routes that lay in the 10 kilometre radius of the central business district (CBD). The plan includes:

- standardisation and stricter enforcement of clearways
- greater priority for trams and buses
- more rapid patrols to clear broken-down vehicles
- more funding for pedestrian and cycling facilities
- providing more information for motorists.

The plan aims to provide relief to congestion until the longer term capacity increasing initiatives of other strategic programmes (such as MOTC) are being implemented. The launch of the congestion plan coincided with the creation of a separate Department of Transport (out of the Department of Infrastructure) to ensure a stronger focus on the delivery of transport improvements.

In summary, through the various strategies outlined above, substantial resources have been committed by the Victorian Government to meet the transport demands of Victoria's growing population. A number of projects are being delivered with a budget of \$5.8 billion, including:

- an upgrade to the Monash CityLink West Gate
- opening of EastLink later this year
- redevelopment of Southern Cross Station
- extended tram network to Docklands, Box Hill and Vermont South, and 90 new trams
- extended Sydenham rail line and 60 new trains on the rails
- 572 new buses in Melbourne and 139 in provincial Victoria
- the Hallam, Pakenham and Craigieburn Bypasses
- upgrade to Geelong Road and the Calder Highway
- returned rail services to Ararat and Bairnsdale
- regional Fast Rail to Geelong, Ballarat, Bendigo and the Latrobe Valley
- 720 kilometres of new bike paths
- road upgrades in Gippsland and major arterial roads in Melbourne's outer suburbs. (Pallas and Kosky 2008)

### **9.3.2 Other initiatives**

In addition to the specific initiatives outlined above, the Victorian Government has also commissioned a number of studies to examine some of the key transport challenges facing Victoria.

#### **Options for Managing Transport Congestion**

In 2005, the Government directed the Commission to conduct a public inquiry into options for managing transport congestion in Melbourne and the key regional centres (box 9.1). The report noted that traffic congestion was imposing a significant cost on Victoria which, under the best available projections for infrastructure spending and population growth, would increase rapidly in the next 15 years. These projections of population growth have in fact been exceeded, with further consequences for congestion.

## Box 9.1 Congestion report key issues

The Commission proposed a number of options for managing transport congestion including:

- better managing the existing road space through measures such as improved incident management and accelerated development of a hierarchy of road use
- expanding the frequency and reliability of bus services, with more innovative contractual arrangements to drive efficiency and patronage growth
- undertaking efficiency measures for rail.

The Commission argued that, in the longer term, the wider application of user charges will need to be considered. A comprehensive Melbourne road charging study would be useful to understand better the benefits of road use charging in a future environment in which congestion may be increasing, and to permit a comparison of these benefits with the costs of this form of demand management.

Institutional changes that would improve the management of transport congestion included:

- adding overarching and consistent objectives in transport legislation
- having a single transport budget
- clarifying responsibility for policy development and coordination
- improving the information bases in a number of key areas
- strengthening coordination within government, and between state and local governments.

Source: VCEC 2007b.

In its response to the Commission's final report, the Government supported (or supported in principle) 54 of the Commission's 58 options, in the following areas:

- improving the existing road, rail and bus networks
- undertaking an evaluation of existing high occupancy road lanes
- lobbying the Commonwealth Government to reform tax laws to encourage use of public transport
- reviewing the incentives for senior public servants to use motor vehicles
- adaptation of more integrated planning measures
- ensuring the efficient operation of freight (DTF 2007).

A progress report on the actions taken in relation to the implementation of these options is expected to be released soon, including options for which the government indicated deadlines.

## The East West Link Needs Assessment

The most recent proposals with the potential to shape the development of Victoria's transport network in the near future are presented in Sir Rod Eddington's *East West Link Needs Assessment: Investing in Transport* report, which was released in March 2008. Although the study's particular focus was the assessment of transport options in the east west corridor only, the recommendations have broader implications for Melbourne and provincial areas.

The EWLNA presents two major infrastructure recommendations: a new 17 kilometre 'metro' style passenger line rail tunnel linking Melbourne's fast growing western and south-eastern suburbs, and a new 18 kilometre cross city road corridor to provide an alternative to the West Gate Bridge. The study also contains smaller initiatives to address transport issues around the east west corridor, including: extension of the suburban rail network to Sunbury, new bus services for Doncaster, new cross city cycle links, better priority and access for public transport, increasing rail's share of freight, improving truck efficiency, more low emission vehicles and accelerating the development of suburban hubs (as in Melbourne 2030). These recommendations build on metropolitan transport initiatives that have already been announced by the government and would require the acceleration of some projects. The estimated cost of the proposed investments is \$18 billion. The government is seeking public feedback on the report until 15 July 2008, and is expected to release its response by the end of the year.

## 9.4 Scope for improvement

The Victorian community is facing many transport challenges which represent the results of a successful, growing economy with an expanding population (box 9.2).

In its submission, the Department of Infrastructure/Department of Transport (DOI/DOT) identified decreasing congestion, improving the quality of the public transport network, increasing traffic safety and ensuring access and environmental sustainability among the main priorities in transport planning. It stated that:

Accessibility will become an increasing challenge in the future due to: the rapid increase in greenfield and fringe development; an increase in smaller households; the difficulties of changing travel behaviour in already car-dependent communities; the increasing cost of travel in response to fuel scarcity and a national emissions trading scheme; ensuring transport infrastructure meets the needs of new urban forms; the increase in freight movement and the ageing community. However, combating these challenges is integral to maintaining Victoria's liveability. (sub. 52, p. 12)

## Box 9.2 Challenges in transport

The EWLNA suggests that the following factors will be critical to Melbourne's growth and development over the next 30 years:

- Melbourne's strong economic and population growth means that there will be a very substantial increase in demand for travel — by public transport and by private motor vehicles. It also means substantial growth in the volume of freight being moved around Melbourne and to and from the city's ports and airports.
- The nature of Melbourne's economy is changing. The city's economic success is increasingly less dependent upon traditional industries such as manufacturing and more dependent upon 'knowledge' and 'business' services. This shift to a services economy is generating different patterns of travel to ensure good access to skilled workers, to other services, to business clients and to national and international markets.
- Networked cities are the cities of the future. In the years ahead, Melbourne will need a flexible, fully connected transport network to reduce road and rail congestion and to support the economic journeys that are critical to a modern economy.
- The vibrancy and strength of central Melbourne will continue to be critical to Victoria's prosperity. Many high income, highly sought after jobs will continue to be located in the CBD and inner urban region (including growing precincts such as Parkville and Docklands). This will place further pressure on peak period transport connections to the central city.
- Melbourne's density is an important factor in its future success. More dense and compact cities generate less demand for travel and save on infrastructure costs — savings that translate into improved competitiveness and stronger economic growth.
- Melbourne's long-term prosperity will require the city to find new ways to succeed and grow in a carbon-constrained world. Higher levels of investment in public transport are vital, as is the development of urban areas that are conducive to walking and cycling. However, the evidence is clear that the number of trips made by car in Melbourne will increase by a substantial amount for the foreseeable future — and the city's road network must be able to cope with this increasing demand in an efficient and sustainable manner.

Source: EWLNA 2008, p. 10.

Improving environmental sustainability in the transport sector is also among the key priorities as motor vehicle emissions contribute around 17 per cent of Victoria's total emissions, and substantially contribute to air and noise pollution.

These transport related issues affect liveability not only in Melbourne, but also across the whole of Victoria. While many of the transport challenges are common to both metropolitan and provincial areas, good transport links are particularly important in provincial areas to provide access to basic services such

as health services, education, and recreational and cultural facilities. A more detailed discussion of these issues can be found in chapter 7.

### 9.4.1 Population growth

Findings from the five year audit of *Melbourne 2030* suggest that population growth in Melbourne has been faster than expected, and that growth in housing was faster in the outer suburbs (DPCD 2007a). As a result, there is a consequent challenge for initiatives (outlined in section 9.3) to provide sufficient additional transport capacity to catch up with rapidly increasing travel demand. Due to rapid population growth and the prevailing travel demand patterns, road congestion and overcrowding on public transport are likely to remain particular difficulties for transportation in the near future.

#### Congestion

The car is currently the dominant mode of travel in Melbourne, and is responsible for 67 per cent of all trips, 74 per cent of all travel time and 84 per cent of all travel distance (Ironmonger & Norman 2007). Data suggests (box 9.3) that cars will continue to be the main mode of transport in Victoria in the following decades and motor vehicle traffic is expected to continue to increase into the future.

Population growth and economic prosperity increase the demand for travel for both work and leisure purposes. Despite increasing petrol prices and running costs, the affordability of car usage has improved up to 2007, which is also true relative to public transport usage (box 9.4).

People also prefer to drive their cars because they are able to handle complex trips and special transportation needs better than public transport, and because of the perceived convenience. Professor Ruth Fincher emphasised this aspect for drivers who often make complex, multi-purpose trips:

If you take the list on the dashboard of my car recently, it shows a brief time on a workday for a full-time paid worker (me), who is also an able bodied inner city dweller and negotiator of inner city streets by car on this occasion, a sometime car pooler for other people's children, a mother. The calibration of my time is relatively precise. Without a car this is not possible (and is only barely possible with one). (Fincher 2001, p. 2)

### Box 9.3 Trends in car ownership

Private motor vehicles constitute the main mode of transport in Australia with 80 per cent of people using cars to get to their place of work or study, and 92 per cent for their day-to-day travel. In Melbourne, more than 13 million trips are made every day on motor vehicles (ABS 2007b). DOI/DOT indicated that despite public transport usage reaching a 40-year record with a 14.5 per cent modal share, more than 77 per cent of journey to work trips are made by car (sub. 52, p. 7).

The volume of car travel is expected to increase further in the future. BTRE (2004) estimated that car traffic in Australian cities would increase by 33 per cent between 2002 and 2020. This growth would be generated by a 12 per cent increase in per capita car use due to higher income levels, and an 18 per cent projected population increase. Taking into account the expected increase of light commercial vehicle traffic, the overall growth of metropolitan traffic would be around 40 per cent.

The following table provides information on the evolution of car ownership in Victoria between 1982 and 2007. The number of motor vehicles has nearly doubled (up by 85 per cent) during the 25-year period, while per capita car ownership has increased by nearly 40 per cent to 0.58 cars per Victorian resident.

#### Motor vehicle ownership in Victoria

	<i>Motor vehicle registrations</i>		<i>Motor vehicle registrations / 1000 population</i>	
	<i>Passenger vehicles</i>	<i>All motor vehicles<sup>a</sup></i>	<i>Passenger vehicles</i>	<i>All motor vehicles<sup>a</sup></i>
1982	1700727	2055519	425	531
2007	3049224	3818062	588	736

<sup>a</sup> including campervans and light commercial vehicles

Source: ABS 1995, 2007b.

The following table presents data on the number of registered motor vehicles kept at dwelling or garage. The data indicates that roughly nine out of ten Victorian households owned at least one car, and more than five kept more than two. Car ownership per household in Melbourne is around 1.6 cars (VCEC 2006).

#### Proportion of households by number of cars kept at dwelling in Victoria

<i>Number of cars</i>	<i>None</i>	<i>One</i>	<i>Two</i>	<i>Three or more</i>
1996	11.0	37.9	37.1	14.1
2006	9.7	38.2	35.6	16.5

Source: ABS 2006

Sources: ABS 1995; 2006; 2007b; BTRE 2004; VCEC 2006.

## Box 9.4 Some costs of car ownership

In 2006, on average people spent \$133.37 per week on car expenses in Melbourne (DOI 2008a). The full cost<sup>4</sup> of having a car in 2007 was between \$116 per week on average for a Hyundai Getz and \$358 for a Toyota Land Cruiser (RACV 2007, NRMA 2007). During the 1982–2002 period, average weekly car operating costs increased 100 per cent (NRMA 2002). However, average weekly wages rose by 165 per cent during the same period. Car prices (in real terms) did not change significantly between the late 1980s and mid-90s, and started to fall significantly after that (DOI 2008a).

These trends together resulted in the highest level of car affordability in Australia in 2007 in the past 20 years. In terms of average weekly wages, 34 weeks wage had to be paid for an average family car (such as a Ford Falcon) in 2007, while it took 39 weeks wage in 2002 (CommSec 2007).

Besides car affordability, the demand for car travel is also affected by the relative cost of substitute modes of transport, for example public transport fares. DOT data suggests that the real value index of public transport fares rose by 30 per cent between 1982 and 2002.

Sources: CommSec 2007; DOI 2008a; NRMA 2002; 2007; RACV 2007.

Continued high rates of car ownership and usage, combined with population growth will increase the pressure on parts of the transport network, particularly on those parts that are already nearing capacity. In its congestion report the Commission concluded that:

... congestion on parts of Melbourne's transport networks has reached excessive levels that are reducing the attractiveness of Melbourne as a place to live and invest. (VCEC 2006, p. 55)

Even with continued high levels of investment in transport networks, there are questions about whether congestion will be constrained. The EWLNA expressed the view that road use charging to control congestion will be inevitable in the future:

The reality is that unless Melburnians are willing to entertain a major reduction in car travel or endorse an extensive demand management program to force substantial additional mode change (such as the tolling of existing roads, congestion charging or more widespread road pricing), new road infrastructure will be required to meet growing travel demand. (EWLNA 2008, p. 106) ... Melburnians must recognise that the issue for the city is not if, but when, congestion charging should be introduced. (EWLNA 2008, p. 104)

Consistent with *Melbourne 2030* and *MOTC*, the government has taken steps to improve the traffic flow at major bottlenecks (for example road improvements such as the introduction of ramp metering and standardisation of clearways),

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<sup>4</sup> Including running costs such as fuel, tyre and scheduled and unscheduled service; and standing costs such as depreciation, third party insurance, registration and loan costs.

decrease the number of vehicles driven into the city, increase public transport usage and change travel behaviour (section 9.3). Although many of these programs are underway, they will be implemented at different times, and their effects on congestion are complex. Given the concerns about congestion levels and the significant resources devoted to tackling congestion, it is important that information be made available to the community on congestion trends.

## **Overcrowding**

Congestion does not only occur on roads, it also affects public transport in the form of overcrowding. Congestion on public transport occurs when the number of people riding on a tram, train or bus reaches a level that reduces the comfort and amenity of passengers.

Although it is difficult to attribute a monetary value to this concern, the cost of overcrowding on public transport includes reduced speed and reliability of tram and bus services, and passenger discomfort due to overcrowding (VCEC 2006). DOI/DOT, for example, stated that:

Many peak period trains and trams are at capacity and overcrowding is increasing, leading to more services running late and lower overall punctuality. (sub. 52, p. 7)

Overcrowding may also raise safety issues both on board and on platforms.

The EWLNA shows that the number of overcrowded trains has substantially increased.<sup>5</sup> Another sign of overcrowding is that situations where passengers are physically unable to board trains and trams regularly occur at CBD stations. The study stated that:

... while the surge in train patronage is welcome and should be encouraged, finding ways to meet the demand is proving problematic. This is reflected in declining levels of public satisfaction with the train system. At the same time that Melbournians are returning to the system, growing problems of reliability and overcrowding are having a negative impact on people's perceptions and feelings about the quality of their travel experience. (EWLNA 2008, p. 77)

The recent rapid growth in public transport patronage is likely to reflect a number of factors, including the higher than expected population growth combined with infrastructure capacity constraints. Janet Rice from the MTF argued that overcrowding is likely to be the result of a management and planning crisis combined with the lack of rolling stock (Roundtable 3 transcript, p. 33). As noted by Environment Victoria, a number of cost-related factors, such as rising

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<sup>5</sup> A train is defined as being overcrowded when the number of passengers exceeds 798 on a 528-seat train. Most trains that breached the load limit in the peak period in 2007 carried more than 850 passengers (EWLNA 2008). This load standard is lower than in many other countries, therefore an overloaded train in Melbourne may be classified as having spare capacity in another city (VCEC 2006).

oil prices and road congestion may have discouraged driving and contributed to overcrowding on trains (sub. 19). The faster than expected increase in public transport usage has underlined the challenge of assessing the costs and benefits of public transport enhancements and their timing. The benefits of reduced congestion are part of that calculus.

Overcrowding on public transport can adversely affect the Victorian Government's goals of increasing the use of public transport and reducing road congestion. DOI/DOT identified improving the capacity and efficiency of the metropolitan train system as a 'critical portfolio challenge' (sub 52, p. 14). While a number of initiatives have already been proposed to increase the capacity and reliability of services (for example in MOTC), DOI/DOT is seeking ways of 'accelerating public transport improvements and easing congestion and overcrowding, especially on trains' (sub. 52, p. 14). This includes the recent introduction of new timetables, peak-hour spreading measures, and the procurement of new trains. In addition to these initiatives, Connex is also required to provide annual plans on how it wishes to cope with overcrowding.

The EWLNA provides further capacity increasing options and at the same time concludes that the main outcomes of these measures are likely to be delivered from 2013. DOI/DOT also noted that 'the nature of large capacity-building projects means they require long lead times for delivery' (sub. 52, p. 14). This suggests that overcrowding on peak hour public transport services is likely to change only gradually over a longer time period.

### **Increased usage of public transport**

In *Growing Victoria Together* and *Melbourne 2030*, the government stated that it aims to increase public transport usage to 20 per cent of all motorised trips by 2020. Public transport patronage — especially on trains — has increased substantially recently, imposing significant pressure on rail and tram services. It seems unlikely that without a very substantial increase in public transport investment (and particularly bus services which do not have the same upfront fixed costs and can be more readily deployed in outer Melbourne and provincial centres) that public transport's modal share of all motorised trips will increase in the foreseeable future.

Setting an average target value might not fully reflect the effectiveness of implemented initiatives, or in prospect, due to the uneven distribution of public transport usage across Melbourne. The issue of the difficulties of composite indicators is discussed in more detail in chapter 4.

A number of factors contribute to the uneven distribution of public transport usage across Melbourne, including the availability and quality of public transport services and the proportion of jobs located within the local and neighbouring municipal areas. Public transport usage is traditionally much higher in areas

which have traditionally been serviced well by train and where many people commute to the CBD, while patronage is substantially lower in new development areas where the public transport network is less developed and more people work locally. For example, more than 60 per cent of people who work in the CBD area use public transport on their journey to work. Data suggests that in the City of Yarra and the City of Boroondara around 35 and 20 per cent of workers use public transport to get to work, respectively. However, in the outer suburbs such as the City of Casey and the City of Wyndham the corresponding proportions are only around 7 and 10 per cent (EWLNA 2008).

The current levels of transport congestion already impose costs on the community through delays in travel time. VCEC's previous inquiry, therefore, highlighted that the introduction of a congestion tax would require a significant enhancement to the capacity of public transport (VCEC 2006).

## **Conclusions**

In an environment of continuing strong population growth and a vibrant economy, a number of transport challenges are likely to persist, including road congestion and ensuring the availability of public transport services. Given the importance of these issues to both individuals and businesses, providing information about transport developments in these key areas in a coherent and clear manner would help the assessment of their impacts on liveability. The Commission expects that the Government would report regularly on the implementation of *MOTC*, *Keeping Melbourne Moving* and other initiatives. In addition, it would be important to report on the outcomes as well.

Given the range of initiatives being implemented in order to tackle road and public transport congestion, there may be significant value in initiating ongoing consolidated reporting on congestion trends. This would enable the community to determine whether policy is having the desired effect and assist debate on the merits of additional policy initiatives. To be useful, congestion reporting would need to provide consistent and comparable values over time in defined areas. A number of different service level indicators have been developed to measure congestion, including average network speeds and delays, travel time reliability, and volume capacity ratios. VicRoads and the Royal Automobile Club of Victoria (RACV) publish various information on the performance of the road network. In its 2006 congestion report the Commission's identified issues which limit the interpretation of this data (VCEC 2006).

While data on public transport patronage is available, data on public transport investment and changes in accessibility would also need to be published to provide easily accessible and understandable information to the wider public and to facilitate appropriate assessment and reporting back on the Government's initiatives.

The *Growing Victoria Together* framework currently includes the following progress measures in relation to transport:

- regional rail services and patronage in Victoria
- public transport use in Melbourne as a proportion of all motorised trips
- the proportion of freight transported to and from ports by rail (Government of Victoria 2008e).

The Commission considers that to facilitate the assessment of liveability impacts, the *Growing Victoria Together* framework could be used to expand reporting on the outcomes of measures to reduce congestion, including those to increase public transport usage, and congestion itself. The relevant agencies would need to investigate the best way to provide coherent, annual data on these issues.

#### **9.4.2 Issues identified by inquiry participants**

Many inquiry participants expressed the view that the Victorian Government should undertake more planning, commit more funds and implement more improvements to address the current and anticipated transport challenges. A number of submissions contained concrete recommendations to implement improvements to the transport system.

Some participants proposed more strategic and longer-term planning in transport (RACV, sub. 57; Eastern Transport Coalition, sub. 29). Others emphasised the importance of accessibility to Melbourne Airport and suggested that transport links to the airport should be improved (Maroondah City Council, sub. 34; Dr Carolyn Whitzman, sub. 9). A number of inquiry participants (16 submissions) considered that the inadequate provision of public transport services in the outer metropolitan suburbs is a problem (see for example, Department of Human Services, sub. 59; Victorian Council of Social Service, sub. 46; Master Builders Association of Victoria, sub. 40; Property Council, sub. 33; Youthlaw, sub. 30; Environment Victoria, sub. 19). Participants also suggested extending train lines into outer areas (MTF, sub. 60 & 49; PTUA, sub. 45; Eastern Transport Coalition, sub. 29; MAV, sub. 22).

Reflecting the broad scope and the timeline of the inquiry, the Commission has not investigated the feasibility of each of these requests. Some of these options were examined by the EWLNA study team.

That said, the Commission reiterates the view expressed in its report on transport congestion, about the importance of considering a broad range of options for improving transport efficiency, which are appropriate for the particular local circumstances (VCEC 2006). The Commission also considered that more informed consultation on transport planning could both increase the efficiency of the project appraisal process and improve the acceptance of the

outcomes. Janet Rice from the MTF emphasised the importance of providing more information on transport projects to the public and stated that:

... there are some good ideas that are happening around there, but nobody knows what are they on the outside ... So a lot of it actually then is sharing the information with the community as well, so that everyone knows that yes, we are going to have this happening in the next five years ... (Roundtable 3 transcript, p. 5)

In its response to the congestion inquiry the government indicated that:

DOI and OCGI [Office of Coordinator-General, Infrastructure] will establish appropriate mechanisms to deepen and broaden the capacity of the Government to consult across industry, local government, and the wider community to ensure that the Government is provided with strategic advice for consideration on a range of proposals for improving transport efficiency and managing congestion ... (DTF 2007, p. 21)

The EWLNA is a good example of a consultative process involving public comment on proposals and preliminary analysis of the costs and benefits of transport system improvements. The Commission is of the view that such approaches facilitate and inform dialogue with interest groups and help produce more informed public debate about transport policy issues.

The Commission notes the benefits of considering a wide range of options, incorporating local preferences in transport planning at the time that development planning occurs. Mechanisms that have been developed to ensure this should be reported.

### **9.4.3 Adverse effects of policies**

Despite the government declaring that increasing public transport usage is a priority objective, some existing government policies work against this aim.

Federal personal income tax laws, fringe benefit and other arrangements provide incentives for many employees to commute by private car to the CBD, contributing to congestion in and around the CBD. While the State Government cannot influence Commonwealth Government taxation arrangements, as a large CBD employer it is in a position to influence the travel patterns of its employees. For example, a significant proportion of Victorian Government employees are entitled to use VicFleet cars, fleet management services, parking facilities, vehicle pools and take novated leases and other salary packaging options. In its congestion report the Commission found that through these arrangements, the government could influence the use of some 25 000 to 38 000 cars by its employees across Victoria (VCEC 2006).

The Commission considers that the government has the opportunity to lead in achieving its strategic goals outlined in *Growing Victoria Together* and *Melbourne 2030*,

and decreasing congestion by addressing incentives for state government employees to use cars for commuting. The government should also continue to press the Commonwealth Government to review fringe benefits tax arrangements. The Commission expressed these views in its report on transport congestion (VCEC 2006). The government supported this option, and indicated that it would review the novated lease arrangements by the end of 2007, and develop 'green travel plans' to promote the use of alternative travel modes (DTF 2007, p. 15).

Reporting on the actions taken on these options and the success of programs to provide incentives to use public transport for commuting would contribute to broader monitoring of transport goals.

It must be noted that private actions may also influence trip decisions and affect congestion. An example of this is when 'early bird specials' are offered by private car park operators and the time limits overlap with peak periods. This may encourage more people to drive during peak hours so that they can benefit from the offer. Any subsequent review of the congestion disincentives could usefully consider such issues.

#### **9.4.4 Regulation in the taxi industry**

Taxis are an integral part of the public transport system. They represent the closest substitute to private transport as they offer a door-to-door on-demand service. Taxis offer a flexible service and thus have a great potential to meet the increasing demand for more complex trips and reduce the use of private cars. To utilise this potential, a number of alternative flexible travel models, including minibus services, and connecting and substituting buses with taxis have been developed and trialled.

Taxi services can be of particular importance to people with special transport needs, especially to disabled people who are otherwise unable to access mass transport. Taxis are also important to business efficiency, and influence the opinions of visitors.

The Victorian taxi industry is regulated by the State Government through the Victorian Taxi Directorate. The regulation covers economic, consumer protection and safety aspects. The regulatory issues are discussed in Appendix E in more detail.

There is widespread belief in the industry that these arrangements contribute to the escalating purchase price of taxi licences, as a result of which the taxi industry has become more of an investor-driven industry. Professor John Nieuwenhuysen stated that:

... the licence price financial maintenance expense subtracts resources which would otherwise be available for investment in industry service quality and more reasonable rates for drivers. (sub. 64, p. 1)

There is some evidence that restrictions on the number of licences also leads to taxi fares about 16 per cent higher than they would be otherwise, with the average Victorian taxi making lease payments of over \$23 000 annually in 2007 (ESC 2008). VCEC estimates that this costs taxi users about \$110 million per annum in fares. Regulation has also been linked to deteriorating working conditions for drivers and inadequate customer service, and increasing waiting times.

In accordance with the Council of Australian Governments (COAG) Competition Principles Agreement, the Victorian Government performed a review of the taxi and hire car industries in 1999. The review recommended the elimination of all quantity restrictions on supply on the Victorian taxi market and provided evidence on the extent of distortions caused by the government's entry restrictions. The recommendations of the review included open entry to the industry, while noting that quality controls, such as driver and vehicle minimum standards, remained essential (KPMG 1999).

DOI/DOT interpreted the results of the 1999 review somewhat differently, and stated that:

The option of industry deregulation was discounted after examining other systems around the world where wholesale deregulation had been introduced but for the most part had failed. (DOI 2008c)

The Competition Principles Agreement commits governments to ongoing reviews of legislation at least every ten years. All Australian government recommitted to the principles of this agreement at the February 2006 meeting of the Council of Australian Governments. Consequently a further Victorian review of restrictions on competition in this sector should occur under the Agreement. To utilise the flexibility offered by taxis and to promote the government's objective to reduce private car travel, the review would also need to investigate how taxis can be best integrated with other modes of transport and investigate alternative flexible travel arrangements, particularly in provincial areas.

Moreover, a broader review of taxi regulation could consider options to improve the incentives for innovation in the sector. This seems particularly timely, bearing in mind recent concerns about driver safety, quality of services and the fact that there has been no comprehensive review since the 1999 National Competition Policy review.

Fundamental reform of this sector would be complex and challenging, particularly given substantial interests in the existing arrangements. Pro-competitive reform has eluded many governments in the past. Consequently, a

review of this sector would benefit from being public, independent from the key stakeholders (while being informed by their knowledge and views), and having a strong community-wide focus, particularly on the needs of country and disadvantaged travellers and drivers. The review will need to have the capacity to undertake a careful examination of the costs and benefits of any reforms, and of the associated transitional issues.

The next review of restrictions on competition in the taxi and hire car industry should, the Commission believes, be broadened to include:

- all forms of small commercial passenger vehicles services
- barriers to the development of new allocation networks
- barriers to greater regional competition and service innovation.

## 9.5 Summing up

The efficiency of a city's transport network is an important determinant of liveability and competitiveness. The Commission received a large number of submissions which indicated that access to transport is important for individuals and businesses.

With respect to current transport initiatives, the Commission noted that:

- the government has identified a number of policy objectives that shape the operation of the transport system. The main transport policy priorities include decreasing congestion, improving the quality of the public transport network, increasing traffic safety, and ensuring access and environmental sustainability
- challenges generated by rapid population growth, economic development and environmental changes are expected to put further pressures on the transport system.

**The Commission finds that reporting on:**

- **the actions taken on VCEC's options to remove incentives to use cars for commuting, and**
- **the success of programs to provide incentives to use public transport for commuting**

**would contribute to broader monitoring of transport objectives (draft finding 9.1).**

**The Commission finds that without a very substantial increase in public transport investment (and particularly in bus services, which do not have the same upfront fixed costs and can be more readily deployed in outer**

Melbourne and provincial centres), public transport's modal share is unlikely to increase in the foreseeable future (draft finding 9.2).

The Commission recommends that to facilitate the assessment of liveability impacts, the *Growing Victoria Together* framework be used to expand reporting on the outcomes of key measures to reduce congestion, including those to increase public transport usage, and on congestion itself. The relevant agencies would need to investigate the best way to provide coherent, annual data on these issues (draft recommendation 9.1).

Considering that a large number of transport initiatives have been announced it is also important to clearly identify the hierarchy of objectives, and regularly assess the implementation of initiatives against the relevant objectives.

The Commission finds that flexible transport modes, including taxis, can play an important role in meeting the increasing complexity of transport needs. To facilitate the effective operation of these services, the Commission considers that the next review of the taxi industry should consider options for improving service quality and promoting innovation in the industry (draft finding 9.3).

The Commission recommends that the next review of restrictions on competition in the taxi and hire car industry, which should occur according to the Competition Policy Agreement, be broadened to include:

- options for improving service quality and promoting innovation
- all forms of small commercial passenger vehicles services
- barriers to the development of new allocation networks
- barriers to greater regional competition and service innovation (draft recommendation 9.2).



## 10 Environmental quality

### 10.1 Introduction

The quality of the natural environment is an important component of the ongoing liveability of any city or region. Many participants noted the importance of the environment in any definition of liveability, with Environment Victoria noting ‘environmental health and sustainability is the backbone of a liveable society’ (sub. 19, p. 1).

Along with environmental quality, there is an increasing community, business and government focus on the issue of sustainability. The terms of reference for the inquiry note that:

As governments strive to improve liveability, there is a growing recognition of the need to focus on the importance of sustainable development. The concept of ‘sustainable development’ is an evolving, debatable term, with a growing number of definitions, which can involve the balancing of economic, social and environmental policy objectives.

The Victorian Competition and Efficiency Commission (the Commission) was specifically directed to ensure that sustainability issues were taken into account in identifying opportunities for enhancing Victoria’s liveability.

The Brundtland Commission defined environmental sustainability as ‘development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs’ (cited in sub. 43, p. iii). Threats to the environment occur when environmental resources are not adequately preserved for future generations. The preservation of natural resources generally supports sustainable development.

Ecologically sustainable development can be defined as ‘development that improves the total quality of life, both now and in the future, in a way that maintains the ecological processes on which life depends’ (sub. 43, p. iii). That is, sustainable development is development that preserves natural resources for future generations.

Many measures of liveability incorporate environmental quality and services in some way. The natural environment is usually included through a measure of the city or region’s climate, but can also be incorporated through measuring parkland, water and air quality. In addition to the main measures of liveability, a number of more targeted measures include environmental factors. The *Travel and Tourism Competitiveness Report*, produced by the World Economic Forum, ranks countries on the state of their natural resources (WEF 2007b).

Environmental regulation can both aid and impede Victoria's competitiveness and liveability. For example, providing clean natural resources, such as clean water, can benefit the production process. Environmental quality may also contribute to an increase in the productivity of the workforce, through the improved health of residents. On the other hand, environmental regulations designed to protect the quality of the natural environment might unnecessarily impede competitiveness by imposing excessively strict environmental standards and regulatory burdens on businesses (VCEC 2005b).

Reflecting the importance of the environment to liveability and competitiveness, this chapter examines:

- major environmental policies that govern Victoria's natural environment and the roles of the different government agencies in Victoria that are involved in managing the natural environment (section 10.2)
- challenges and opportunities in enhancing environmental quality and sustainability in the context of liveability and competitiveness (section 10.3).

## 10.2 Current state of play in Victoria

There are a number of significant environmental challenges facing Victoria. Climate change represents a major threat to environmental quality, and to Victoria's liveability and competitiveness. The Council of Australian Governments (COAG) stated that:

Climate change represents one of the greatest economic and environmental challenges of our age. The projections for Australia of the impacts of climate change are serious: a drying climate in our traditional agricultural area; a greater frequency of floods; drought and storms; and, the impacts of higher temperatures on community health. (COAG 2008a)

The continuing problem of Victoria's drought and the long and short term water supply are also affecting Victoria's liveability. The Municipal Association of Victoria (MAV) noted:

... the impact of severe water restrictions will affect councils' ability to maintain public open space and residents' ability to cultivate private gardens. The MAV believes that open space — in Melbourne and regional centres — is a competitive strength of Victoria and needs to be preserved to improve liveability. (sub. 22, p. 19)

The Commission notes that the Victorian Government developed a long term water plan, *Our Water, Our Future*, which was released in 2004. In 2007, the government also released a statement outlining its response to the current drought. These initiatives have not been examined in this inquiry, although a number of issues which impact on the implementation and evaluation are considered.

Population growth is having a major impact on the environment. Victoria's population is growing rapidly, especially in Melbourne, resulting in extra pressure on land, water and other resources. The Commissioner for Environmental Sustainability noted 'the rate and the way that we use the three fundamental resources; energy, water and materials, is putting pressure on natural systems' (sub. 43, p. i).

In response to the environmental challenges facing Victoria, the government has implemented a range of initiatives. Government actions are designed to ensure that all environmental costs and benefits are brought into decision making, for example, where actions have spillover effects (chapter 3).

Policies for the environment are governed by three overarching policy frameworks, but there are also over 35 different pieces of state legislation and a large number of other regulations that support these overarching policies. Direct responsibility is shared between the federal government, nine key state government agencies, and 79 local governments. A number of other government agencies also make contributions to environmental quality and all are charged with a responsibility for ensuring environmentally sustainable practices.

### **10.2.1 Major environmental policies**

Protection of Victoria's environment is managed by three major policies:

- *Our Environment, Our Future*
- *Growing Victoria Together*
- *Melbourne 2030*.

In addition, Victoria is a party to the National Strategy for Ecologically Sustainable Development (NSESD) which is a coordinated approach to ecologically sustainable development and encourages long term benefits of policy over short term gains.

Victoria's major environmental strategic plan *Our Environment, Our Future*, launched in 2005, is a sustainability action statement that lists 150 initiatives and commits \$200 million to new investment projects. The policy highlights five areas for action:

- responding to climate change
- maintaining and restoring our natural assets
- using resources more efficiently
- reducing everyday environmental impacts
- government leadership (DSE 2006c).

Environment Victoria notes that while *Our Environment, Our Future* was

... a step forward for the government in many areas, it is important to realise its limitations, and that action in a number of areas such as climate change must now be far more reaching and effective than what this [policy] indicates (sub. 19, pp. 2–3).

The policy sits alongside other major policy initiatives, *A Fairer Victoria* and *Victoria: Leading the Way* (figure 10.1). It is supported by a large number of subordinate policy initiatives which support the five areas highlighted in *Our Environment, Our Future*.

Figure 10.1 **Relationship between government policies affecting the environment**



Source: Department of Sustainability and Environment.

*Growing Victoria Together* includes a healthy environment as one of its core objectives. The specified goals to achieve this objective are:

- protecting the environment for future generations
- efficient use of natural resources.

The goals have been sub-divided into measurable indicators, although some of these indicators are still under development. The progress report released in 2008

showed some progress in addressing air and water quality, greenhouse gas emissions and the amount of waste generated (Government of Victoria 2008e).

*Melbourne 2030*, a strategic plan prepared to manage growth and change across metropolitan Melbourne and its surrounding region, includes nine 'directions', one of which is 'a greener city'. This is underpinned by a number of specific policies that are incorporated into the planning framework to ensure the sustainability of developments under *Melbourne 2030*.

## **10.2.2 Roles and responsibilities of different Victorian government agencies**

The Department of Sustainability and Environment (DSE) and the Environment Protection Authority (EPA) are the two major bodies with responsibility for developing and implementing environmental policies. DSE has responsibility for 67 major committees and statutory authorities, including metropolitan and provincial water authorities (DSE 2007c).

DSE has responsibility under a number of Acts for the sustainable management of Victoria's natural environment. The key responsibilities of DSE are:

- management of Victoria's water systems
- management of public land including forests, coastal areas, alpine resorts, Crown land reserves and parks
- nature and biodiversity conservation
- climate change and greenhouse policy
- management of forest fires, including bush fires
- the promotion of sustainable resource use and management practices among industries and the general community (DSE 2007c).

The EPA is a regulatory body established under the *Environment Protection Act 1970* (Vic.). The Environment Protection Act creates a legislative framework for the protection of the environment in Victoria and covers air, water and land quality and noise pollution. The environment protection objects of the Act are achieved through the development and enforcement of state environment protection policies and waste management policies, and also through the enforcement of the offence provision in the Act (for example, it is an offence to pollute any waters or to litter). The Act incorporates the national environment protection principles developed by the National Environment Protection Council (an intergovernmental body concerned with developing unified principles for the protection of the environment).

The Act was amended in 2006 to increase the enforcement options of the EPA and strengthen collaboration between state and local governments to reduce waste generation.

There are a number of other state agencies with environmental responsibilities:

- Sustainability Victoria was established in 2005 under the *Sustainability Victoria Act 2005* (Vic.). The objective of Sustainability Victoria is to encourage and support government, business and community to promote environmental sustainability primarily through the sustainable use of resources.
- The Commissioner for Environmental Sustainability was established in 2003 as an independent commission that advocates, audits and reports on environmental sustainability.
- Parks Victoria is responsible for the management and conservation of Victoria's national and other significant parks and recreational management of Port Phillip Bay, Western Port and the Yarra and Maribyrnong rivers. The total area managed by Parks Victoria is 3.96 million hectares.
- The Victorian Environmental Assessment Council was established under the *Victorian Environmental Assessment Council Act 2001* (Vic.) to conduct investigations and make recommendations to the Minister for Environment and Climate Change relating to the protection and ecologically sustainable management of the environment and natural resources of public land.
- Trust for Nature was established under the *Victorian Conservation Trust Act 1972* (Vic.) with objectives to encourage and assist in the preservation of ecologically significant areas and in the conservation of wildlife and native plants. These objectives are achieved by entering into conservation covenants (binding agreements between land-owners and the trust to permanently protect the nature heritage of a property) and through land acquisition.
- The Metropolitan Waste Management Group is a legally constituted body responsible for coordinating municipal waste management activities between local governments, state government agencies, business and the community in metropolitan Melbourne.

These environmental agencies all report to the Minister for the Environment<sup>1</sup>.

Other state government departments have wider roles in areas other than environmental responsibilities but have the capacity to influence environmental outcomes through their activities. For example, the Department of Primary Industries also has responsibility for some areas of land quality through the regulation of mineral resources, extractive industries, petroleum and geothermal industries.

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<sup>1</sup> The relationships between the environmental agencies and DSE raises challenging issues for the Department and the agencies advising the Minister for the Environment.

The Department of Planning and Community Development (DPCD) and the Department of Infrastructure/Department of Transport (DOI/DOI) have indirect roles in ensuring environmental quality through their responsibility for the built environment. DPCD can influence environmental quality through land use planning and environmental assessment. DPCD manages the environmental effects statement which applies to projects which have potentially significant environmental effects. The Minister for Planning decides whether an environmental effects statement is required. DOI/DOI can affect environmental quality through its planning and management of the transport system. These are discussed in more detail in chapters 8 and 9.

The Office of Climate Change in the Department of Premier and Cabinet is responsible for whole of government policy and strategy, focussing on longer term issues and the economic, environmental and social impacts of climate change. The Climate Change Team at the Department of Treasury and Finance provides economic and policy advice to the Treasurer, the Minister for Finance on key issues affecting the environment and natural resources.

### **Complexity of Victorian government arrangements**

The institutional arrangements are characterised by a proliferation of policies and institutions. This may be viewed in the context of the increasing importance placed on the environment by society and policymakers because of its importance to ensuring the liveability of Victoria. This may also reflect the complexity of ecosystems and the building up of knowledge about the effectiveness of different policies. As noted in chapter 5, environmental quality is a key factor affecting the competitiveness of a location. However, coverage, consistency and accountability may be made more difficult by a number of different agencies with overlapping and interrelated responsibilities.

As responsibility for environmental regulation cuts across multiple government agency responsibilities, it is important that collaborative approaches are developed to ensure that environmental policies, including regulations, are achieving the intended outcome in the most cost effective manner and that the community is able to readily access information from the most appropriate authority. Environmental regulation needs to be designed with a full assessment of costs and benefits. Additionally non-environmental regulation (such as transport and planning regulations) should assess any unintended environmental consequences (such as increases in airborne pollutants).

A lack of clear accountability and objectives and poor collaboration/coordination between departments could lead to confusion and may impose unnecessary costs on business and the community in negotiating with multiple agencies. For example, businesses may face differing (and sometimes competing) requests from different agencies to comply with environmental regulation. The

Commission's inquiry into reform of the metropolitan water sector found a number of instances with unclear allocation of responsibilities between water authorities (VCEC 2007c). A report prepared for the Minerals Council of Australia found the number of state government agencies involved in water policy and regulation has resulted in inconsistent policies between regulatory agencies (URS 2006). Previously, a report by PPK Environment & Infrastructure (PPK) found there was a lot of confusion about the role of the EPA and the management responsibilities of DSE (PPK 2001).

Alternatively it could be argued that the division of responsibilities between different environmental agencies may lead to improved performance and accountability. If agencies have clearly defined roles, responsibilities and objectives, agencies may develop expertise in their own policy areas. Policy and its administration may then be developed more efficiently.

Environmental sustainability is an important component of liveability and public understanding and support is integral. The increasing importance of the environment to the community can be illustrated by the behavioural support to achieve environmental outcomes, for example anti-littering programs. A diversity of government institutions without clear understanding of overlapping functions could prejudice community support of government policies and programs and the effectiveness of sustainability initiatives on liveability.

Complex institutional arrangements are not unique to environmental management. In past reports the Commission has identified best practice principles for institutional arrangements in the area of transport planning and management (VCEC 2006). Although these principles were developed for the transport planning and management, they can be adapted to apply to environmental management. The principles governing the institutional arrangements should have the following characteristics:

1. high level strategic goals should be clearly defined
2. objectives for individual agencies should be clearly defined
3. roles and responsibilities for each agency should be allocated appropriately
4. transparency: options for managing the environment should be made transparent
5. the institutional and organisational framework should recognise interdependence and require a coordinated approach to policy making and regulation
6. effective stakeholder consultation is needed
7. the scope for market decisions should be maximised
8. capacity to implement is required: coordination ensures decisions are made in a timely manner (VCEC 2006).

In light of these principles, there is a question as to whether the present environment institutional arrangements are the most appropriate and provide the best level of environmental administration for ensuring sustainability and liveability.

### **10.2.3 Role of local governments**

Local governments, as a first level of government closest to the community, are able to influence environmental quality directly and indirectly through the implementation of state legislation and local policies covering such matters as waste management, urban planning, managing native vegetation and through leadership and interaction with the community. Local governments are required by statute 'to achieve the best outcomes for the local community having regard to the long term and environmental effects of decisions (*Local Government Act 1989* (Vic.), 3C(1)). Local governments are specifically responsible for the delivery of domestic waste management services including kerbside recycling and collection, litter abatement and management, the management of transfer stations and landfills, and generally for providing leadership in environmental sustainability for their communities.

Local governments have some key responsibilities for the implementation of *Sustainability in Action: Towards Zero Waste* which was launched in 2005. This strategy is a strategic plan to reduce the amount of waste generated by households and increase the amount of waste which is recycled and reused. Reducing the amount of waste generated will improve environmental quality by reducing the amount of greenhouse gases generated from decomposing waste, reduce air and water pollution and contribute to natural resource depletion savings (ACG 2003).

Local governments are also able to influence environmental quality through their prime responsibility for planning schemes. The built environment can contribute to environmental quality through decisions on how land is used and developed. They can also influence environmental outcomes through their role in maintaining and managing municipal roads, parks and gardens and the improvement of amenity within a broader context of local leadership on environmental matters.

Local governments are also in a prime position to influence community behaviour and achieve environmental outcomes through interaction with local residents. Reflecting this, many local governments have initiated community awareness programs and other environmental initiatives to try and influence environmental outcomes. These range from educational campaigns, rebates and subsidies for environmentally friendly purchases such as compost bins and water efficient showerheads, and waste and recycling schemes.

In responding to community expectations regarding the environment, many local governments have chosen to participate in programs and initiatives which advance environmental sustainability. One such program is the Cities for Climate Protection Campaign, an initiative of the International Council for Local Environmental Initiatives, in which participating local governments commit to observe five milestones which promote awareness of how local governments can mitigate climate change whilst improving community quality of life. Other initiatives include the Association of Bayside Municipalities, an association of 10 local governments that act collectively to improve the overall management of the coastal environment in Port Phillip Bay.

It is possible that local governments could play an even stronger role in the state government initiatives on environmental sustainability if they had access to better resources and information. In previous reports the Commission has found that local governments have insufficient information and resources to effectively administer some state regulations (VCEC 2005b, 2007c).

*Information Request:*

*The Commission would like to hear about the capacity of local governments to address environmental concerns that relate to liveability.*

#### **10.2.4 Commonwealth environmental requirements**

Protection of the environment in Victoria is not only the responsibility of the state and local governments. The Commonwealth Government's *Environment Protection and Biodiversity Conservation Act 1999 (Cwth.)* defines the following matters of national environmental significance for which the Commonwealth Minister for the Environment has a decision making responsibility:

- World Heritage properties
- National Heritage places
- Ramsar wetlands<sup>2</sup>
- listed threatened species and communities
- listed migratory species
- nuclear actions
- the Commonwealth marine area.

The Commonwealth Minister also makes decisions about the environmental effects of proposals on, or affecting, Commonwealth land.

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<sup>2</sup> Ramsar wetlands are a list of wetlands of importance listed in the international treaty agreement '*The Convention on Wetlands of International Importance, especially as Waterfowl Habitat*'.

Assessment processes under the Environment Protection and Biodiversity Conservation Act are based on an environmental impact assessment model. They range from fairly basic assessments to a comprehensive environmental impact assessment process, which is equivalent to the Environment Effect Statement (EES) and, like EES, would be used only for projects whose environmental impact is likely to be substantial.

Bilateral agreements have been signed with Tasmania, Queensland, Western Australia and the Northern Territory to allow accreditation for assessment of the proposal under state processes. However, accreditation is limited to assessment processes and the Commonwealth Minister retains final decision making power for any proposal which is a matter of national environmental significance.

The Environment Protection and Biodiversity Conservation Act allows decisions to be subject to judicial review.

### **10.2.5 Climate change and the principle of subsidiarity**

The subsidiarity principle suggests governance functions should be assigned to the level of government that is best placed to deliver functions in pursuit of joint policy goals (chapter 3). That is, the decisions should be made as close as is practicable to the people affected by them. In environmental management, many policy outcomes are of national (or international) importance. Therefore, while some policies are most effective when administered by state or local governments, other policies may require a more centralised approach.

One policy area which may be seen as best suited to a ‘top down’ approach is climate change with leadership from the Commonwealth Government and a shared commitment from all levels of government. Climate change is a major challenge to Victoria’s liveability in the long-term and the importance of this can be reflected in the number of policies at the Commonwealth, state and local governments level as well as a number of international agreements. The Commissioner for Environmental Sustainability argued:

As a component of environmental sustainability, the current and pressing issue of climate change, and our ability to build resilience for both mitigation and adaptation, is of high priority and should be recognised in the report as a central policy issue in maintaining and improving Victoria’s liveability. (sub. 43, p. iii)

While Environment Victoria noted:

Climate Change is undoubtedly one of the greatest challenges facing the global population. It follows then that unmitigated climate change will have significant impact upon the liveability and economic potential of Victoria. However, the Victorian government can have a considerable impact upon Victoria’s response to this challenge, and react in order to ensure the ongoing success of the state. (sub. 19, p. 8)

The Commonwealth Government is in the process of establishing a national emissions trading scheme (NETS) starting no later than 2010. The Victorian Government treats the NETS as one part of a broader suite of measures aimed at reducing greenhouse gas emissions.

The Victorian Government is in the process of preparing a White Paper on Climate Change to be released in 2009.<sup>3</sup> This will contain concrete measures to aid Victoria in adapting to the challenges of climate change (Government of Victoria 2008a). The Summit Paper released following the Victorian Climate Change Summit recognises that the role of addressing climate change is shared between the three tiers of government and needs shared goals and a clear division of responsibilities (Government of Victoria 2008a).

The Climate Change Summit Paper proposes ten strategic directions for action:

1. Positioning Victorian industry to capitalise on the new jobs, new technologies and new markets that will flow from the transition to the low carbon economy.
2. Supporting the NETS with complementary measures that smooth the transition for the Victorian economy.
3. Pursuing cost effective emissions reductions in sectors of the Victorian economy not covered by the NETS.
4. Ensuring the continued security, efficiency and affordability of Victoria's energy supplies by encouraging low-emission and renewable energy options.
5. Assisting households to adjust to the rising costs of electricity, fuel and other commodities.
6. Increasing our knowledge about climate change impacts and adaptive needs and possibilities.
7. Increasing the climate change resilience of the state's regions and communities.
8. Assisting our natural assets and ecosystems to deal with the pressures and challenges that climate change will bring.
9. Supporting Victorian individuals and communities to get active on climate change.
10. Ensuring Victoria continues to play an active role in global efforts to address climate change (Government of Victoria 2008a).

The review of climate change policies and the development of policy initiatives to complement the NETS should avoid duplication of policies and therefore increase the efficiency of climate change policy.

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<sup>3</sup> A consultation paper (Green Paper) will be released for public consultation in late 2008.

The Commission acknowledges the positive steps to ensuring clearly defined goals and policy responsibilities between Commonwealth, state and local governments in addressing climate change which is a recognised threat to liveability. In doing so, it is also important to assess the relative cost effectiveness of the various policy options. Communication between all levels of government would usefully extend to cost benefit analysis of the impacts of various policies on liveability.

### **10.3 Are environmental considerations adequately protected in policy making?**

A challenge in designing effective and efficient policy is ensuring that all costs, including environmental, are included when policy that affects liveability is being designed. Since the natural environment is a key component of Victoria's liveability, all policies should be sensitive to any unintended environmental consequences.

There are two formal mechanisms to bring environmental considerations into the policy making process. The first is the environmental effects statement (EES), which is required for projects that potentially have significant environmental impacts. The second is the regulatory impact statement (RIS) process for all sunseting and new statutory rules. RISs requires consideration to be given to any environmental impact that may result from the proposed measures (Government of Victoria 2007c).

#### **10.3.1 Environmental effects statements**

An EES may be required for projects with potentially significant environmental effects. The objective of the EES is:

To provide for the transparent, integrated and timely assessment of the environmental effects of projects capable of having a significant effect on the environment. (DSE 2006b, p. 3)

While the Environment Effects Act and the EES guidelines broadly outline the EES process, the Minister for Planning has considerable discretion as to whether a project requires an EES. If the Minister determines the project does not require an EES, the Minister for Planning can grant approval for the project to proceed. In some cases approval may be conditional on meeting certain requirements (such as location and design). If an EES is required the Minister for Planning also sets the scoping requirements and level of investigation required.

The Minister for Planning considers the completed EES as well as any public submissions and makes an assessment whether the environmental impact of the project is acceptable, not acceptable, or would need major modifications or

further investigation before an acceptable outcome is achieved. The views of the Minister for Planning must be considered by decision makers in deciding whether to approve public works, but they are not binding.

The Commissioner for Environmental Sustainability has criticised the assessment procedure of the EES, as environmental impacts are often assessed independently of their potential long term and flow-on effects, particularly the way in which they may impact on environmental sustainability and social equity, both integral aspects of liveability (sub. 43).

### 10.3.2 Regulatory impact statements

The RIS process contributes to ensuring that regulations do not detract from Victoria's liveability. A RIS describes the policy problem, options to address this problem and the costs and benefits of these options. The purpose is to ensure the most efficient forms of regulation are adopted and to facilitate public consultation on the document (Government of Victoria 2007c). In practice, a RIS is required for a proposed statutory rule that imposes 'an appreciable economic or social burden' (Government of Victoria 2007c, p. 4-16). What constitutes an appreciable economic or social burden is not defined, however some guidelines are given in the *Victorian Guide to Regulation*.

In considering whether a proposed rule imposes an appreciable cost or burden on a sector of the public, consideration must be given as to:

- whether the proposed statutory rule has the requisite impact on a 'sector of the public'. The rule must have an impact on the whole community or on groups of people, although the question of how many people constitute a 'sector' of the public is a matter of judgement; and
- whether the proposed rule imposes 'an appreciable cost or burden' on that sector of the public. (Government of Victoria, 2007c, p. 4-17)

The *Subordinate Legislation Act 1994* (Vic.) requires that preparation of a RIS involve consultation with 'any sector of the public on which an appreciable economic or social burden may be imposed by a proposed statutory rule' (Government of Victoria 2007c, p. 4-25). A review of the Act found that the specification of an economic and social burden has caused environmental groups to sometimes be excluded from RIS consultation. The Scrutiny of Acts and Regulations Committee (SARC) report into the Subordinate Legislation Act 1994 gave the example of the *Forests (Miscellaneous) Regulations 2000* where environmental groups were not consulted despite the regulations having an appreciable environmental impact (SARC 2002).

The SARC review recommended (amongst other recommendations) that consideration be given to broadening the threshold test and consultation test to include environmental burden (SARC 2002). The Government of Victoria did

not support the recommendations noting that the *Environmental Effects Act 1978* (Vic.) provided for an Environmental Effects Statement to be prepared in certain circumstances (SARC 2003).

The EES is not a substitute to the RIS process as they are used for different purposes. The EES applies to projects and public works which are likely to impose a significant environmental impact and does not apply to statutory rules that may impose an appreciable environmental burden. The RIS process applies only to statutory rules that impose an economic or social burden. Any proposed statutory rule that imposes a significant environmental burden but not an appreciable economic or social burden would not necessarily be subjected to the RIS process, nor is there any requirement for groups impacted by environmental consequences of regulations to be consulted.

The Commission considers that there is a case for reconsidering the SARC review recommendation that the Subordinate Legislation Act be amended to include appreciable environmental burden as part of the threshold test for preparation of a RIS and consultation requirements.

## **10.4 Reporting environmental outcomes**

Measuring and reporting outcomes is essential to assess whether policy objectives are being met and liveability enhanced. Frequent evaluation of regulation is an important part of ensuring regulations are achieving their intended outcomes.

DSE reports on their contribution to environmental outcomes in their annual report. The annual report specifies nine environmental outcomes, such as healthy and productive water systems and land, and each outcome is broken down into five sub-outcomes. DSE provides details on strategies taken to achieve these sub-outcomes but does not detail progress made towards achieving the outcomes.

The EPA reports on environmental outcomes, such as air and water quality, on its website and in its annual report. Hourly air quality reports are available on the EPA website for Melbourne, Geelong and the Latrobe Valley and air quality bulletins are issued twice a day. The annual report provides statistics on enforcement actions taken by the EPA as well as reporting on the quantity and quality of outputs which are drawn from the strategic framework *Our Environment, Our Future*.

Sustainability Victoria has clearly defined outcomes, such as reducing greenhouse gas emissions and energy usage, which are based on Victoria's environmental policy framework. The progress of Sustainability Victoria towards achieving these targets is outlined in their annual report.

All agencies report on their own environmental performance and the steps they are taking to improve their impact on the environment. There is also a number of environmental goals and indicators included in the *Growing Victoria Together* progress reports.

Reporting against environmental outcomes is fragmented with a number of agencies having responsibility for different areas of the environment (section 13.2.2). The Commissioner for Environmental Sustainability was established in part to report on Victoria's natural environment through the *State of the Environment* report. The purpose of the report is to:

- provide access to information on current environmental outcomes and trends in Victoria
- identify driving forces and pressures influencing environmental outcomes
- identify the likely implications of environmental trends
- evaluate the effectiveness of current management responses to environmental issues
- assist in policy development
- raise public awareness
- make recommendations on specific actions and future directions to advance Victoria's progress towards environmental sustainability (CES 2005).

While the framework of the report includes an evaluation of the effectiveness of current management responses to environment issues, it is still in preparation so it is unclear the extent to which the report will report environmental outcomes against specific policy objectives. Additionally, the *State of the Environment* report is due to be released every five years (with one at the end of 2008), so to supplement this report government agencies should also be reporting environmental outcomes against specified policy objectives.

The Commissioner for Environmental Sustainability noted:

A number of organisations have developed sets of indicators for tracking sustainable development. For example, the UK Department of Environment, Food and Rural Affairs (DEFRA) monitors progress via the use of 17 headline indicators that measure environmental, social and economic values of importance to that community. (sub. 43, p. iv)

The House Standing Committee on Environment and Heritage in the *Inquiry Report into Sustainable Cities* recommended State of the Environment reporting could be used to report on urban sustainability indicators and be used to measure progress under an Australian Sustainability Charter.

The Commission considers that as knowledge and implications of environmental challenges grows so should reporting. Following the release of the *State of the Environment* report and the White Paper on Climate Change, reporting on

environmental outcomes could be expanded to allow assessment of progress of policies in achieving outcomes.

## 10.5 Summing up

The quality of the natural environment is a major contributor to Victoria's liveability. Challenges such as climate change will impact on the future liveability and competitiveness of Victoria. The Victorian Government's commitment to the importance of the natural environment is evidenced by the number of environmental agencies and policies, and effective governance arrangements are needed to ensure effective decision making.

**There is a question as to whether the present environment institutional arrangements are the most appropriate and provide the best level of environmental administration for ensuring sustainability and liveability (draft finding 10.1).**

The forthcoming policy statement on climate change is designed to review all State Government climate change policies to ensure they tackle the issue in the most effective manner and policies between the three tiers of Government are complementary.

**The Commission acknowledges the positive steps to ensuring clearly defined goals and policy responsibilities between Commonwealth, State and Local Governments in addressing climate change which constitutes a recognised threat to liveability. In doing so, it is also important to assess the relative cost effectiveness of the various policy options. Communication between all levels of government would usefully extend to cost/benefit analysis of the impacts of various policies on liveability (draft finding 10.2).**

Environmental concerns need to be brought more fully into the policy making process to ensure that the natural environment, and therefore Victoria's liveability, are sustained into the future. The EES and the RIS processes are two main ways environmental concerns are brought into policy making. However the RIS process does not include environmental burden as a trigger for requiring a RIS.

**The Commission considers that there is a case for reconsidering the SARC review recommendation that the Subordinate Legislation Act be amended to include appreciable environmental burden as part of the threshold test for preparation of a Regulatory Impact Statement and consultation requirements (draft recommendation 10.1).**

Measuring and reporting environmental outcomes is an essential way of ensuring whether environmental policy is enhancing liveability.

The Commission considers that as both knowledge and the implications of environmental challenges grow, so should reporting. Following the release of the State of the Environment report and the White Paper on Climate Change, reporting on environmental outcomes could be expanded to allow assessment of progress of policies in achieving outcomes (draft finding 10.3).

# 11 Bringing it all together

## 11.1 Introduction

The potential scope of this inquiry is very broad and in focusing the inquiry the Victorian Competition and Efficiency Commission (the Commission) has been guided by the terms of reference and input from participants. The Commission appreciates the efforts of inquiry participants and acknowledges the quality of submissions and the range of issues covered. The Commission has not been able to address all issues raised by participants, however, all submissions to the inquiry are publicly available and hence the ideas and suggestions remain available. Appendix A provides details on the consultations undertaken by the Commission.

The terms of reference require the Commission to explore, examine and report on a number of topics as well as identify opportunities to enhance Victoria's liveability. In many respects this report is more about providing insights about liveability, and connections with competitiveness, than about making specific recommendations intended to solve particular problems.

Most measures of liveability suggest that Victoria performs well by international standards — but there are challenges which need to be managed in order to maintain and further enhance Victoria's liveability, such as a growing population, increasing environmental concerns and the impacts of globalisation.

This chapter draws together the recommendations, findings and observations of the Commission under a number of overarching themes.

## 11.2 Overarching themes

In developing its analytical framework for examining the issues raised during the inquiry the Commission found it useful to develop a number of themes to link many elements of the report (chapter 3). These themes are:

- The importance of good information on liveability to help improve outcomes and inform decision making (chapter 4).
- Effective integration of government efforts to improve liveability, including the importance of subsidiarity (chapter 3).
- The importance of best practice regulation which takes into account possible liveability impacts (chapter 3).
- The need to manage growth in the context of 'one Victoria'.

### 11.3 Improving information

Providing information and measurement issues was a theme throughout the inquiry. Victorians are interested in liveability outcomes, even though there are many different perspectives as to what is involved. The provision of information can improve liveability outcomes for:

- Individuals — through more informed decision making which helps individuals make better choices and understand the effectiveness of government policies that affect liveability.
- Businesses — through improved understanding of government policies and predictability. Information can improve the competitiveness of businesses in Victoria, including confidence in a labour force attracted by the liveability of our state (chapter 5).
- Governments — through improved policy development processes and accountability of outcomes (chapter 4).

There are many measures of liveability and a lot of information is available on some aspects of liveability, but this information is not always in the best form to inform individuals, businesses and governments. The Commission found that, although they are widely known and quoted, composite measures of liveability, such as the one published by the Economist Intelligence Unit, are useful signals of interest in liveability, but they are of limited use for informing specific policy decisions; nor do they cater to the varying perspectives on liveability held by individuals and businesses.

More detailed information on particular aspects of liveability is of more value in informing decisions and policy making processes. There is a number of existing information reporting mechanisms which can be further enhanced to improve liveability information to Victorians. The *Growing Victoria Together* (GVT) framework has many elements of a liveability report card and the Commission has identified a number of possible areas where it could be expanded including: transport (for example, congestion), stronger communities (for example, housing affordability), regulation and environmental measures (chapters 9, 6 and 10 respectively). In addition, the Community Indicators Victoria project and Invest Victoria are also valuable information sources which can inform decisions (chapter 4).

The Commission therefore proposes (chapter 4) that the government build on existing information sources using GVT as a framework to provide additional liveability information to inform individuals, businesses and government decisions and actions. This data could be presented to the Victorian people in the form of an annual liveability statement.

## 11.4 Government and subsidiarity

The policies and actions of all levels of government can affect the liveability of Victoria and hence all levels of government have a role in enhancing Victoria's liveability. The challenge is to ensure that policy actions are undertaken by the appropriate level of government and that there is adequate information available to ensure there is effective coordination between different levels of government.

As a general principle, the Commission is supportive of the principle of subsidiarity where, to the extent practicable, functions should be allocated to the level of government closest to those affected by the decision (chapter 3).

In this context, the Commission highlighted the important leadership role in enhancing liveability taken by local governments, especially in provincial areas. Local governments in provincial areas in particular face high expectations from residents and demands to provide and maintain infrastructure and other services — but also face significant resource constraints. The strengths of local government in Victoria offer a possible comparative advantage in the relative liveability of Victoria compared to other Australian jurisdictions.

While subsidiarity suggests functions be undertaken by the level of government closest to those affected, the Commission is cognisant of the need to also manage different perspectives and legitimate tensions between particular local interests and those of the city or state as a whole. In provincial areas the Commission has noted the positive role played by the Regional Management Forums in helping to coordinate the actions of local governments and the state government.

In terms of the issues facing metropolitan Melbourne, the Commission has identified (chapter 8) three possible options for managing local and city-wide interests: Melbourne Planning Authority; improving current arrangements; and adoption of a GAA type model for the city. The latter two options seem to offer most.

## 11.5 Best practice regulation

In some cases, enhancing liveability will require a regulatory response. In addition to being implemented by the appropriate level of government (subsidiarity), governments should adhere to the principles of best practice regulation ensuring that government intervention in community and business activities is limited to appropriate and necessary circumstances (chapter 3). Individuals and businesses both have a stake in good regulation. One such example is taxi regulation, where there is a case for a broad review against these best practice principles (chapter 9).

The Commission has highlighted the principle that the regulatory response should be related to the risks of the adverse event being regulated. This is being pursued in the review of liquor licensing arrangements (chapter 6).

Predictability and clarity of roles is also an important regulatory consideration. Where there are multiple agencies administering a range of legislation and regulatory instruments (such as for environmental protection), coordination and ensuring policy outcomes are being achieved is particularly important (chapter 10). The trigger for assessment of regulatory burdens through regulatory impact statements (RISs) could be expanded to make clear that regulations imposing environmental burdens should be included (chapter 10).

## **11.6 Managing growth in ‘one Victoria’**

A theme — both a challenge and an opportunity — pervading the report is the need to manage growth within the context of ‘one Victoria’. Growth is both an outcome of the liveability of Victoria and a challenge in the sense that growth places pressures on services, infrastructure and if not well managed can detract from Victoria’s liveability. In addition, poorly managed growth can have implications for housing affordability and congestion, especially in Melbourne.

Victoria is fortunate that its relatively compact size means that distances between major centres and provincial areas are not great and so there is scope for considerable interaction and interconnection among parts of the state. Infrastructure — roads, rail and information and communication technologies — is an important element in maximising the interconnectedness of the state and building one Victoria.

Provincial areas have an important role to play in helping Victoria manage future population growth. In many respects provincial Victoria is the ‘liveable alternative’ to Melbourne and many people and businesses are choosing to locate in provincial areas. The calculus of investing in provincial Victoria needs to take account of the relief of costs of Melbourne’s growth.

Managing growth and building the interconnections between provincial Victoria and Melbourne is perhaps the key challenge in further enhancing Victoria’s liveability.

# Appendix A: Consultation

## A.1 Introduction

In keeping with its charter to conduct public inquiries, the Victorian Competition and Efficiency Commission (the Commission) advertised the inquiry into enhancing Victoria's liveability in the major metropolitan and regional newspapers in October 2007. Following the Treasurer's announcement of the terms of reference on 12 October 2007, the Commission published an issues paper in October 2007, which outlined:

- the scope of the inquiry
- how to make a submission
- the Commission's consultation processes
- the inquiry timetable.

The issues paper invited inquiry participants to make submissions. The Commission received 65 submissions before the release of the draft report (section A.2).

The Commission held six round table meetings in February and March 2008 with a range of participants from business, community and government organisations, which included targeted consultations in the provincial cities of Shepparton and Traralgon (section A.3).

The Commission appointed several consultants and contractors to assist with aspects of the inquiry:

- Allens Consulting Group undertook a series of focus groups with the purpose of understanding what attracted skilled individuals to relocate to Victoria.
- Urbis prepared a discussion on sustainable urban concepts by exploring a number of international case studies.
- The McCaughey Centre prepared a report using Community Indicators Victoria to examine differences in liveability between provincial and non-provincial Victoria.

## A.2 Submissions

The Commission received 65 submissions (table A.1). The submissions can be viewed on the Commission's website.

**Table A.1 Submissions received**

<i>Participant</i>	<i>Submission no.</i>
Ron Brons	1
Norm Cameron	2
Ron Brons	3
Ron Brons	4
Ron Brons	5
Land Owners Rights Association Inc	6
Parks Victoria	7
Ron Brons	8
Carolyn Whitzman	9
Trevor Budge	10
Fed Square Pty Ltd	11
City of Greater Bendigo	12
Hobsons Bay City Council	13
Stormwater Industry Association Victoria	14
Bayside City Council	15
Parks Forum	16
Civil Contractors Federation	17
Construction Material Processors Association Inc	18
Environment Victoria	19
Ethnic Communities' Council of Victoria	20
Planning Institute of Australia	21
Municipal Association of Victoria	22
Bus Association of Victoria	23
Wellington Shire Council	24
Community Housing Federation of Victoria	25
SGS Economics and Planning Pty Ltd	26
Institute of Public Works Engineering Australia — Victorian Division Limited	27

**Table A.1 Submissions received (continued)**

<i>Participant</i>	<i>Submission no.</i>
City of Whittlesea	28
Eastern Transport Coalition	29
Youthlaw	30
Nillumbik Shire Council	31
City of Greater Shepparton	32
Property Council of Australia	33
Maroondah City Council	34
Berry Street	35
VicHealth	36
Arts Victoria	37
Heart Foundation	38
Latrobe City Council	39
Masters Builders Association of Victoria	40
City of Melbourne	41
Anna Piatkowska	42
Commissioner for Environmental Sustainability Victoria	43
Victorian Equal Opportunity & Human Rights Commission	44
Public Transport Users Association	45
Victorian Council of Social Service	46
Victoria Police	47
City of Boroondara	48
Metropolitan Transport Forum	49
Cement, Concrete and Aggregates Australia	50
Department of Planning and Community Development	51
Department of Infrastructure	52
Office of the Victorian Government Architect	53
Victorian Equal Opportunity & Human Rights Commission	54
St Vincent de Paul Society Victoria	55

**Table A.1 Submissions received (continued)**

<i>Participant</i>	<i>Submission no.</i>
VicUrban	56
RACV	57
Department of Sustainability and Environment	58
Department of Human Services	59
Metropolitan Transport Forum	60
Multimedia Victoria	61
The McCaughey Centre	62
Australand Holdings Ltd	63
John Nieuwenhuysen	64
Victorian Local Governance Association	65

### **A.3 Round tables**

The Commission held six round tables with a range of business, government and community organisations in February and March 2008 to discuss topics relating to enhancing Victoria's liveability. Table A.2 lists the participants at the defining and measuring liveability round table.

**Table A.2 Defining and measuring liveability round table participants**

<i>Name</i>	<i>Position</i>	<i>Representing</i>
Nigel Flannigan	Associate Director	SGS Economics & Planning Pty Ltd
Lisa Gropp	Principal Adviser, Research	Productivity Commission
Nicholas Gruen	Chief Executive Officer	Lateral Economics
Austin Ley	Manager, Melbourne City Research	City of Melbourne
Alison McClelland	Executive Director, Strategic Policy and Research Unit	Department of Planning and Community Development
Stacey Ong	Senior Adviser, Economic Policy Branch	Department of Premier and Cabinet
Andrew Rimington	Employment, Education and Training – Senior Policy Adviser	Victorian Employers' Chamber of Commerce and Industry

**Table A.2 Defining and measuring liveability round table participants (continued)**

<i>Name</i>	<i>Position</i>	<i>Representing</i>
Greg Robinson	Director Consulting	ICC-Mercer
Adrian Tomin	Researcher	Australian Centre on Quality of Life, Deakin University
John Wiseman	Director	McCaughey Centre
Sharn Enzinger	Assistant Director, Economic Policy Branch	Department of Premier and Cabinet
Tabitha Frith	Senior Adviser, Policy and Strategy Projects	Department of Premier and Cabinet
Lucy Gunn	Researcher	McCaughey Centre
Jane Hayman	Consultant – Cross Cultural Training	ICC-Mercer
Jodie Wickham	Senior Policy Adviser	Victorian Employers' Chamber of Commerce and Industry

Table A.3 lists the participants at the liveability in provincial Victoria round table held in Shepparton.

**Table A.3 Liveability in provincial Victoria round table participants (Shepparton)**

<i>Name</i>	<i>Position</i>	<i>Representing</i>
Marg Allan	Manager, Strategy	City of Greater Bendigo
Gavin Cator	Chief Executive Officer	Moira Shire Council
Emma Fitzclarence	Policy Adviser	Municipal Association of Victoria
Peter Harriott	Director of Infrastructure and Development	Greater Shepparton City Council
Sondrae Johnson	Councillor	Greater Shepparton City Council
Anthony Kennedy	Senior Policy Officer	Regional Development Victoria
John McLinden	Chief Executive Officer	Loddon Shire Council
Andrew Millen	Chief Executive Officer	Sunraysia Mallee Economic Development Board
Roberto Paino	Chair	Regional Cities Victoria
Fabian Reid	Executive Officer	Bendigo Chamber of Commerce and Industries
Doug Sharp	Chief Executive Officer	Rural City of Wangaratta
Angela Verde	Community Engagement Manager, Hume	Department of Planning and Community Development
Owen Harvey-Beavis	Manager, Economic Data and Research Unit	Municipal Association of Victoria
Oliver Moles	Manager Planning and Development, Hume	Department of Planning and Community Development

Table A.4 lists the participants at the transport and planning round table.

**Table A.4 Transport and planning round table participants**

<i>Name</i>	<i>Position</i>	<i>Representing</i>
Matt Faubel	General Manager, Government	VicUrban
Skye Holcombe	Policy Advisor, Transport policy	Municipal Association of Victoria
Mark Knudsen	Director, Infrastructure Coordination	Growth Areas Authority
Laura Mahoney	Policy Officer	OCGI
Victoria McKenzie- McHarg	Climate Change and Sustainable Transport Campaigner	Environment Victoria
David Papps	Director	Urban Planning and Regional Planning, OCGI
Shelley Penn	Associate State Government Architect	Office of the Victorian Government Architect
Cr Janet Rice	Chair	Metropolitan Transport Forum (City of Maribyrnong)
Praveen Thakur	Associate Director	SGS Economics and Planning Pty Ltd
Stuart Worn	Executive Officer	Planning Institute of Australia – Victorian Division

Table A.5 lists the participants at the sustainability and environmental quality round table.

**Table A.5 Sustainability and environmental quality round table participants**

<i>Name</i>	<i>Position</i>	<i>Representing</i>
Terry Ahearn	Director	EPA
Cheryl Batagol	Chair	Melbourne Water
David Buntine	CEO	Port Philip Westernport Catchment Authority
Kimberley Dripps	Executive Director	DSE
Sanjeev Sabhlok	Senior Manager	DTF
Mike Hill	Board member	Sustainability Victoria
Phil Hughes	Principal Consultant	Halcrow Pacific

**Table A.5 Sustainability and environmental quality round table participants (continued)**

<i>Name</i>	<i>Position</i>	<i>Representing</i>
Victoria McKenzie-McHarg	Climate Change and Sustainable Transport Campaigner	Environment Victoria
Dr Ian McPhail	Commissioner	Commissioner for Environmental Sustainability
Mike Waller	Director and Partner	Heuris Partners

Table A.6 lists the participants at the liveability in provincial Victoria round table held in Traralgon.

**Table A.6 Liveability in provincial Victoria round table participants (Traralgon)**

<i>Name</i>	<i>Position</i>	<i>Representing</i>
Annabel Barbara	Executive Officer	Gippsland Regional Development Strategy
Paul Buckley	Chief Executive Officer	Latrobe City Council
Cr Beth Davidson	President	Victorian Local Governance Association
Steve Dickson	Director, Community and Development	Wellington Shire Council
Jeff Hill	Acting Executive Manager, Economic Development	Latrobe City Council
Kath McEntee	Community Engagement Manager	Department of Planning and Community Development
Maree McPherson	Executive Officer	Gippsland Area Consultative Committee
Richard Perry	Director, Community & Economic Development Services	Bass Coast Shire Council
Harvey Pynt	President	Traralgon Chamber of Commerce and Industry
Tim Wills	Regional Manager	Regional Development Victoria
Denise Bourke	Work Experience Placement	Department of Planning and Community Development

Table A.7 lists the participants at the strong communities round table.

**Table A.7 Strong communities round table participants**

<i>Name</i>	<i>Position</i>	<i>Representing</i>
David Cousins	Executive Director	Consumer Affairs Victoria
Darren Disney	Director Government & Media Relations (Vic)	Housing Industry Association
Damian Ferrie	Executive Director Community Programs	Department of Planning and Community Development
Alison Holloway	Associate Director	SGS Economics and Planning Pty Ltd
Kath Hulse	Director	Swinburne-Monash AHURI Research Centre
David Imber	Policy and Public Affairs Manager	VCOSS
Gary Jamieson	Assistant Commissioner	Victoria Police
Harald Klein	Director Neighbour Renewal	Department of Human Services
Kerry O'Neill	Director of Community and Development	VicUrban
Jean Parson	Senior Project Manager	Growth Areas Authority
Brian Pound	Executive Officer	Community Housing Federation of Victoria
Helen Szoke	Chief Executive Officer	Victorian Equal Opportunity and Human Rights Commission
David Griffin	Manager Corporate Planning	Victoria Police
Pauline Hayes	Multi Purpose Taxi Program	Victorian Taxi Directorate
Fleur Watters	Multi Purpose Taxi Program	Victorian Taxi Directorate

## **A.4 Stakeholder consultations**

The terms of reference required the Commission to consult with key interest groups and affected parties (including the business and community sectors) and to draw on the knowledge and expertise of relevant Victorian Government departments and agencies. Stakeholder consultations (table A.8) may include organisations that also attended one of the round tables listed in section A.3, and provincial meetings in Shepparton and Traralgon.

**Table A.8 Stakeholder consultations**

<i>Organisation (or individual)</i>	
ACIL Tasman	ANZ Bank
Arts Victoria	Australand Holdings
Australian Bureau of Statistics	Australian Industry Group
Bendigo business representatives	Bendigo community representatives
City of Greater Bendigo	Dr Bob Birrell, Centre for Population and Urban Research, Monash University
City of Greater Shepparton	City of Melbourne
Commissioner for Environmental Sustainability	Consumer Affairs Victoria
Delfin Lend Lease	Department of Human Services
Department of Infrastructure	Department of Innovation, Industry and Regional Development
Department of Planning and Community Development	Department of Sustainability and Environment
Department of Treasury and Finance	Dr Josef Konvitz, OECD
Eddington Study Team	EPA Victoria
ExxonMobil	Professor Bill Russell, Governance and Management of Urban Transport, The University of Melbourne
Growth Areas Authority	Institute of Social Research, Swinburne University of Technology
Invest Victoria	Bernard Salt, partner KPMG
Melbourne Airport Authority	Multimedia Victoria
Municipal Association of Victoria	Office of the Victorian Government Architect
Parks Victoria	Professor Rob Moodie
Shepparton business representatives	Shepparton community representatives
The McCaughey Centre, The University of Melbourne	Victorian Employers' Chamber of Commerce and Industry
Victorian Equal Opportunity and Human Rights Commission	Victorian Women's Trust
VicUrban	



# **Appendix B: The creative class, location and competitiveness**

## **B.1 Introduction**

Some recent studies (Florida 2002, 2003) contend that a particular class of worker is important for driving innovation and long-run economic growth. The implication of this research is that specific geographic communities might attract this class of labour by, for example, improving liveability. Other studies (Friedman 2005) argue that the influence of location-specific attributes has diminished due to factors such as technology and globalisation. This appendix provides more detail about these studies.

## **B.2 The creative class**

Florida (2002, 2003) divides the workforce into the working class, service class and creative class. According to Florida, the creative class is:

... a fast-growing, highly educated, and well-paid segment of the workforce on whose efforts corporate profits and economic growth increasingly depend. Members of the creative class do a variety of work in a wide variety of industries — from technology to entertainment, journalism to finance, high-end manufacturing to the arts. (Florida 2002, p. 3)

Florida (2002) argued that attracting creative class workers to a city or area can boost long-run growth because these workers are able to encourage innovation and attract business to the city or area.

The creative class comprises two groups: the ‘super creative core’ and the ‘creative professionals’. The super creative core creates easily transferable and widely applicable concepts or constructions. Some examples of occupations in the super creative core include engineers, writers, artists, architects, and researchers among many others. The creative professionals engage in creative problem-solving, drawing on complex bodies of knowledge to solve specific problems. Creative professionals occupy positions such as business management roles, lawyers, health professionals and many jobs within knowledge-intensive industries.

Florida (2002) points to a number of factors that increase the ability of a city or area to attract the creative class. These include:

- low barriers to entry: where people and companies are able to fit in easily and quickly
- ‘thick’ labour markets: where it is relatively easy to move within the labour market both laterally and vertically
- high levels of quality of place: where there is diversity, a mix of influences and lifestyle amenities
- an environment open to differences: where diversity is welcomed and accepted
- participatory recreation: where people can actively participate in recreational activities rather than experience passive recreation
- authenticity and uniqueness: where places offer unique and original experiences.

This list of factors is closely related to many aspects of liveability and competitiveness. According to Florida, those cities doing better than others are attracting creative people by offering amenities such as arts and culture that appeal to them (Feiock et al 2008). Some submissions to the inquiry pointed to links between ‘arts and culture’ and competitiveness (box B.1).

#### **Box B.1 ‘Arts and culture’ and competitiveness: inquiry participants’ views**

While ‘arts and culture’ can be defined narrowly or broadly, a common interpretation of the phrase would include activities such as performing arts, visual arts, literature, film and new media, and cultural heritage.

Arts Victoria noted that Melbourne and provincial Victoria score well on Richard Florida’s artistic and creativity indices. According to Arts Victoria, this indicates a strong competitive advantage in attracting the creative class and the associated positive flow-on economic effects (sub. 37).

The Department of Planning and Community Development noted that mobile workers in knowledge-intensive industries are often particularly interested in lifestyle opportunities such as cafe culture and artistic and cultural opportunities. The department argued that these assets are crucial in attracting and retaining knowledge workers which means that local liveability is important for economic competitiveness (sub. 51).

The Public Transport Users Association noted that, while the demand for skilled workers will be a key factor in attracting and retaining talent, lifestyle issues will also be a strong influence on location decisions (sub. 45).

Sources: Arts Victoria (sub. 37), DPCD (sub. 51), PTUA (sub. 45).

Florida (2002) developed a creativity index as a baseline indicator of an area's overall standing in the creative economy and as a barometer of its longer run economic growth potential.<sup>1</sup> In a report for the Innovation Economy Advisory Board, the National Institute of Economic and Industry Research estimated creativity index values for Melbourne and Ballarat for 1996 and 2001 (NIEIR 2004). While the report noted some data imperfections which make cross-country analysis difficult, Melbourne was ranked 34<sup>th</sup> — based on its creativity index value for 2001 — in a large sample of (at least 250) US regions. The Commission is not aware of more recent empirical work estimating such indexes for Melbourne or provincial centres in Victoria.

The creative class hypothesis, however, has received some criticism. One recurring criticism is that there is a lack of thorough research to support Florida's claims. Berry (2005) and Junarsin (2005) identify this as a significant problem. Junarsin (2005) also questions the accuracy of the profiles developed by Florida to explain who are included in the creative class. Hospers (2006) argued that there is no clear list of professions, making measurement and testing difficult.

In addition, Berry (2005) highlighted the issue of causality between successful cities and their ability to attract creative people. While there seems to be a correlation, there remains a question about the extent to which either prosperous cities attract creative people or creative people make cities prosperous. Further, there may be an unidentified third factor which has influence over both (Berry 2005).

If policy were to be focused on improving liveability for the creative class (which, as discussed by Florida, is a small group of society), it could risk neglecting the needs of many other groups in the community. As noted by the Department of Planning and Community Development, efforts to improve liveability should not be confined to responding to the needs of people who are globally and nationally mobile — liveability needs to be recognised as an issue for all groups and areas within Victoria (sub. 51). However, it should be recognised that the liveability factors of supposed interest to the creative class are also attractive to other 'classes' of society and contribute more generally to liveability.

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<sup>1</sup> The index comprises four equally-weighted factors seeking to measure the extent of the creative class, high technology industry, innovation and diversity.

### **B.3 Location and competitiveness**

Some studies have discussed the role of location and its influence on competitiveness. For instance, in *The World is Flat*, Friedman (2005) argued that globalisation in the information age has diminished the importance of location itself as a competitive edge in fostering economic growth. This argument suggests that technologies such as the Internet and wireless communication will increasingly allow anyone, anywhere on the globe to become players in the global economy (Feiock et al 2008).

Florida (2005) argued that globalisation has changed the economic playing field but has not levelled it. He observed that economic activity and innovation are geographically concentrated. People and companies cluster in specific locations because of productivity advantages, economies of scale and knowledge spillovers. Florida stated that:

Because globalisation has increased the returns to innovation, by allowing innovative products and services to quickly reach consumers worldwide, it has strengthened the lure that innovation centres hold for our planet's best and brightest, reinforcing the spikiness of wealth and economic production. (Florida 2005, p. 50)

Table B.1 shows how Friedman's and Florida's ideas relate to four key theories of economic growth. Although Feiock et al (2008) concluded that both Friedman and Florida paint only a part of the economic development picture and provide a limited treatment of a complex phenomenon, their contributions provide useful insights in considering the links between liveability and competitiveness.

Commenting on *The World is Flat*, Leamer (2007) argued that geography creates special relationships between buyers and sellers who reside in the same location. While standardisation, mechanisation and computerisation all work to increase the number of globally-mobile tasks, innovation and education work in the opposite direction creating relationship-based activities (Leamer 2007).

**Table B.1 Comparing Friedman's and Florida's hypotheses with four theories of economic growth**

<i>Theory</i>	<i>Focus</i>	<i>Friedman</i>	<i>Florida</i>
Comparative advantage theory	Resources	Low wage	Cultural wealth
Institutional theory	Institutional transaction costs	Decreasing transaction costs from information and communication technology	Reducing barriers to entry for creative-class workers
		International regimes	
Human capital theory	Education & skill	Developing human capital through education	Attracting human capital through amenities & culture
Social capital theory	Trust, community & relationships	Technology-driven collaboration Personalisation of distance relationships	Social capital, cultural capital, economic capital Weak-tie relationships

Source: Feiock et al 2008.

## **B.4 Summing up**

While there are limitations to Friedman's and Florida's analyses, it is possible to draw two conclusions. Firstly, globalisation will continue to increase competition for mobile labour and capital resources. And secondly, as skilled people are an important input to economic production, a location may improve its competitiveness by creating a more liveable environment that is attractive to skilled workers.



## **Appendix C: Housing affordability**

### **C.1 Introduction**

As noted in chapter 2, housing is an important element of liveable communities. Many submissions considered housing affordability to be a major issue affecting liveability (for example, see City of Whittlesea (sub. 28), Master Builders Association of Victoria (sub. 40)). Housing affordability is also a key factor in attracting and retaining skilled labour (chapter 5).

The issue of housing affordability has been the subject of numerous studies, inquiries and government initiatives (PC 2004, SSCHAA 2008, UDIA 2007, Yates & Milligan 2007). In its 2008-09 budget, the Victorian Government announced additional concessions for first home buyers and stamp duty relief for home buyers (Government of Victoria 2008d). Guided primarily by submissions and roundtable discussions<sup>1</sup>, the Commission has considered some specific areas relating to housing affordability and accessibility, including:

- the state of housing affordability in Victoria (section C.2)
- planning and land supply (section C.3)
- policy coordination and information (section C.4)
- private rental market issues (section C.5)
- diverse and accessible housing (section C.6).

### **C.2 Housing affordability in Victoria — a snapshot**

Housing has generally become less affordable in Victoria over the past decade and private renters, in particular, face a high incidence of housing stress.<sup>2</sup>

#### **C.2.1 Recent trends in housing affordability**

In general, house prices have risen strongly across Victoria in recent years. Melbourne's median house price has increased by 25 per cent over the five years to the March quarter 2008 (REIV 2008b). Bayside City Council, for example,

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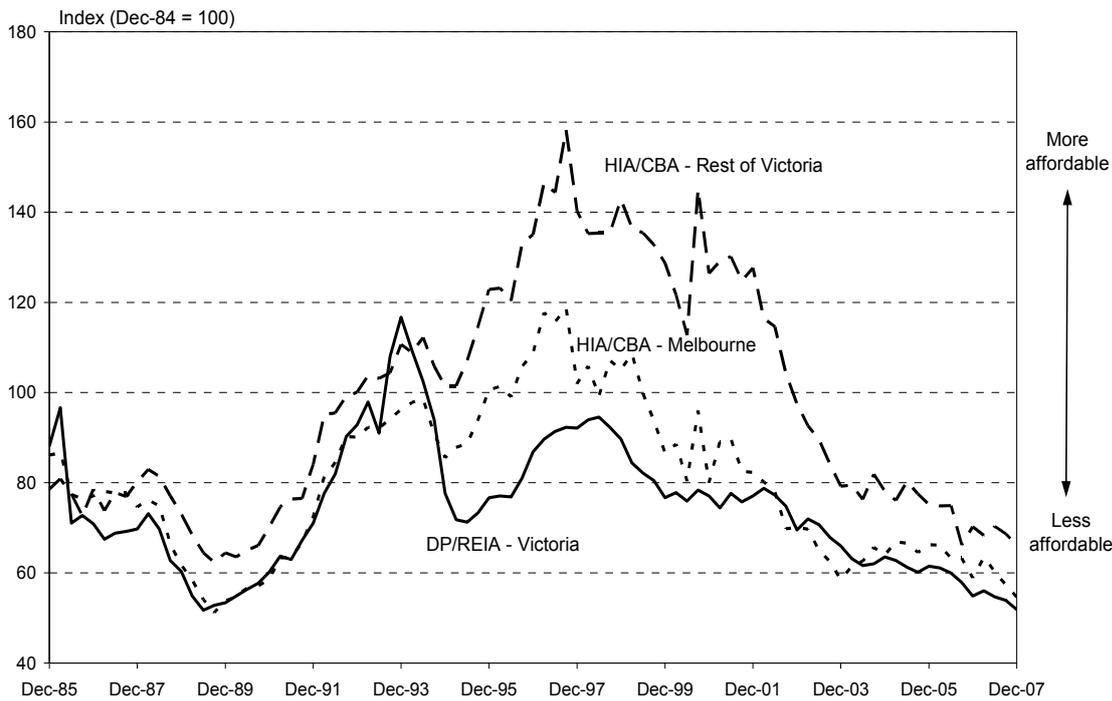
<sup>1</sup> Summaries of the roundtable discussions can be found on the Commission's website: [www.vcec.vic.gov.au](http://www.vcec.vic.gov.au).

<sup>2</sup> Australian data are used where data for Victoria are not readily available.

commented on escalating land values in its municipality (sub. 15). Median house prices in provincial Victoria have also generally increased (DSE 2007a).

Figure C.1 shows commonly-cited measures of housing affordability which are based on ratios of loan repayments to income. While these measures have their limitations (see Kryger 2006, PC 2004), they all indicate a marked deterioration in housing affordability for Melbourne and Victoria over the past decade.

**Figure C.1 Housing affordability, Victoria, 1985–2007**



Sources: DP/REIA 2008a, HIA/CBA 2008.

The Real Estate Institute of Australia (REIA) estimated that Victorians required about 36 per cent of family income to meet average loan repayments in the December quarter 2007 compared to about 27 per cent five years earlier (AMP/REIA 2003, DP/REIA 2008b).

While home buyers are confronted with higher house prices and financing costs, renters in Victoria are facing low vacancy rates (REIV 2008a) and rising rents without the benefit of any equity. Median rents have risen by around 34 per cent in Melbourne and 26 per cent in provincial Victoria since late 2002 (DHS 2008a). In the case of renters, affordability can be measured by the ratio of rent paid to household income. Australian data indicates that the proportion of income

allocated to rent payments has increased for renter households of all income levels over the past two decades (Richards 2008).

## **C.2.2 Extent of housing stress**

Many home owners and investors have generally benefited from the significant appreciation in property values over the past decade. Indeed, home equity in Victoria has generally increased in recent years (ABS 2007a), and some home owners have used their equity to increase their mortgages to make other expenditure or investments.

At the same time, there are some groups in the community who are in 'housing stress'. In a recent study, the National Centre for Social and Economic Modelling (NATSEM) defined a household to be in housing stress when its housing costs (after subtracting any rent assistance received) represented more than 30 per cent of its disposable income and the household is in the bottom 40 per cent of the income distribution. NATSEM estimated that about 115 000 households (or 6.4 per cent of households) in Victoria were in housing stress in 2005 (Phillips et al 2006).<sup>3</sup>

Some submissions noted that people on low incomes are most affected by housing affordability or stress (MAV, sub. 22, VCOSS, sub. 46). This is supported by data in a study for the Australian Housing and Urban Research Institute (AHURI); that is, of Victorian households paying at least 30 per cent of their income in housing costs, the majority are low income households (Yates & Gabriel 2006). Burke and Pinnegar (2007) documented the impacts on low income households of poor housing affordability.

Moreover, there is evidence that housing stress affects more renters than home purchasers in Australia. NATSEM estimates indicate that renters represented about 70 per cent of Australian households experiencing housing stress in 2004. This study concluded that 'private renters are not only the single largest group in housing stress but they also face the highest risk of being in housing stress' (Harding et al 2004, p. 7). A recent AHURI study also found that private renters faced the highest incidence of housing stress (Yates & Milligan 2007).

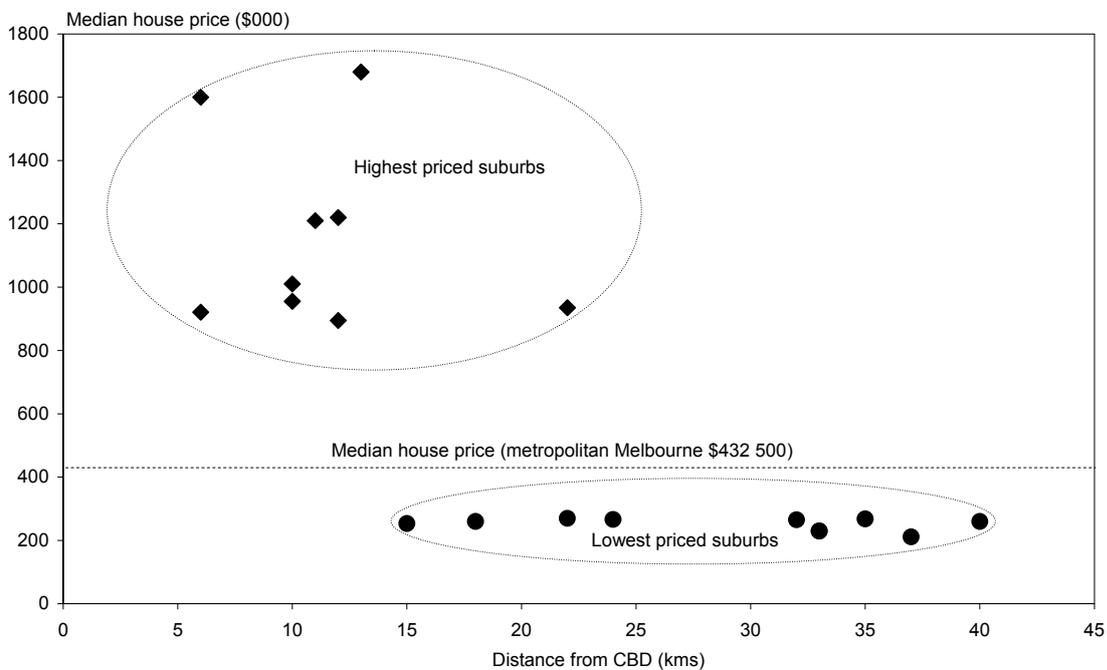
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<sup>3</sup> The study also found that the statistical local areas that had the highest proportions of households in housing stress were mostly located in Melbourne while a lower proportion of households in housing stress were located in rural areas.

### C.2.3 Geographic variations in housing affordability

Overall trends in housing affordability raise the question of where more affordable housing is located. Summary measures — such as median house prices and affordability indicators for Melbourne or Victoria — often disguise substantial variations within and between urban and provincial areas. The Department of Human Services (DHS) pointed to the difference in property prices between the inner and outer suburbs of Melbourne (sub. 59). Indeed, figure C.2 shows that suburbs with the highest median house prices tend to be located closer to the central business district.

Figure C.2 **Median house prices, metropolitan Melbourne, March quarter 2008**



Source: REIV 2008b.

The Urban Development Institute of Australia (UDIA) rated inner and middle Melbourne to be experiencing serious affordability problems in 2006, but outer Melbourne was rated as affordable. Moreover, the UDIA rated provincial centres (including Ballarat, Bendigo, Geelong, Mildura, Shepparton and Wodonga) as affordable in 2006 (UDIA 2007). The City of Greater Bendigo also stated that housing is more affordable in provincial cities than in metropolitan areas (sub. 12). The Commission was told by several inquiry participants that some new developments in the growth areas of Melbourne and provincial centres still

offer entry-level prices. For example, most three-bedroom house and land packages at Caroline Springs currently start in the price range \$260 000–\$300 000 (Delfin Lend Lease 2008).

Calculations by the Reserve Bank of Australia suggest that a significant proportion of housing on the market is still attainable for first home buyers. Richards (2008) estimated that, in four major capital cities (including Melbourne), 30–35 per cent of transacted properties in 2006-07 would have been accessible to the median household in the prime home-buying age group.<sup>4</sup> Moreover, the real incomes (after servicing a mortgage of a given size) of younger households have generally been increasing since the early 1990s (Richards 2008).

### **C.3 The planning system and land supply**

The planning system influences the availability of land and, therefore, housing and infrastructure development (planning and transport are discussed in chapters 8 and 9).

#### **C.3.1 Planning delays**

As noted in chapter 8, some submissions pointed to the complexity and time intensive nature of the planning system, which could be impeding development (for example, see Hobsons Bay City Council, sub. 13). The Construction Material Processors Association saw scope to refine the planning system so that it is better able to process applications and variations within a reasonable timeframe and cost effectively (sub. 18). The Property Council of Victoria also suggested simplifying the planning and application process for property development in Victoria (sub. 33).

The UDIA (2007) suggested a number of planning measures to ease housing affordability problems in Victoria, including:

- streamlining the planning scheme amendment process
- further simplification of the planning permit application process
- adherence to strict decision timetables by all tiers of government in their approach to development assessment (UDIA 2007).

The planning system in Victoria has been subject to several official reviews in recent years including *Better Decisions Faster*, *Cutting Red Tape in Planning*, and

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<sup>4</sup> Households headed by persons aged between 25–39 years.

*Making Local Policy Stronger* (DSE 2004, DSE 2006a, MWGLPP 2007). These reviews have put forward a number of recommendations which seek to streamline the planning process. In the report *Making Local Policy Stronger*, the Ministerial Working Group on Local Planning Policy found that the planning system was generally sound, but needed to be refined and updated (MWGLPP 2007). One of the actions recommended in the report was to review the residential zones to assist councils to better deliver on their housing strategies (Minister for Planning 2007).

### **C.3.2 Land supply**

The Victorian Government has implemented a number of initiatives that seek to enhance land supply and improve housing affordability, including:

- the identification of 25 years of residential land supply for Melbourne's designated urban growth areas (DHS 2006a)
- the establishment of the new Urban Growth Zone which will fast-track rezoning land for homes in growth areas across Melbourne (Office of the Premier 2008).<sup>5</sup>

In terms of future land supply, Melbourne appears to be better placed than some major cities interstate (HIA/APM 2007, PCA 2007).

In a recent report on housing affordability, the UDIA supported the Victorian Government's land supply benchmarks for Melbourne (cited as 15 years' supply of land identified for residential development and 10 years' supply of zoned land in designated growth areas) and argued for the application of the same benchmarks to provincial cities in Victoria including Geelong, Ballarat, Bendigo, Shepparton, Mildura, Latrobe Valley, Warrnambool and Wodonga (UDIA 2007).

While the timely release of land on the fringe of towns and cities in Victoria is likely to be beneficial for home seekers in the outer suburbs<sup>6</sup>, it is likely to have a lesser impact on housing affordability in inner and middle suburbs. Higher density redevelopment of infill sites is one way of increasing the effective supply of housing in established areas. However, the Property Council of Australia noted that new home buyers do not favour medium to high density housing product to the extent predicated in many state government planning strategies (PCA 2007).

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<sup>5</sup> This initiative is expected to accelerate the development of more than 90 000 land blocks by rezoning farm land.

<sup>6</sup> At the same time, proposals to release more land may be resisted by existing residents who may be concerned about adverse impacts on their property values.

In addition, Australand Holdings argued that the high cost of apartments relative to houses provides no incentive for people to switch to higher density living:

... a real difference exists between what the Domestic Residential sector currently delivers (homes in the suburbs) and what the Commercial Residential sector can deliver (apartments in the city) and their relative costs. The real and significant differences associated with these two forms of housing arise because of the fact that they use two different (and independent) sources of labour. (sub. 63, p. 6)

As part of its housing initiatives, the Council of Australian Government (COAG) recently agreed to facilitate improved housing supply through the identification of surplus government-owned land for possible release for housing development (COAG 2008b).

## **C.4 Policy coordination and information**

All levels of government in Australia have some form of involvement in the housing market. This section focuses on:

- coordination between governments
- the information base.

### **C.4.1 Coordination between governments**

Each level of government has policies or initiatives that focus on the housing market or housing affordability. These policies often require interaction between different levels of government.

#### **Commonwealth–state coordination**

The Victorian Government negotiates with the Commonwealth Government regarding the Commonwealth–State Housing Agreement (CSHA). The aim of this agreement is to provide appropriate, affordable and secure housing assistance to those who most need it, for the duration of their need (SCRGSP 2008). The current CSHA is due to expire in June 2008.

Housing has recently been included as a major item on COAG’s agenda. At its March 2008 meeting, COAG agreed to implement five key housing initiatives, including:

- to facilitate improved housing supply through identifying surplus government land suitable for housing development
- provide incentives to construct affordable rental housing

- lower the burden of infrastructure and regulatory costs built into the purchase price of a new home
- improve the evidence base for housing policy and program development
- to support the most needy in society through a joint Commonwealth-state investment in housing for homeless people (COAG 2008a).

### **State–local coordination**

Some inquiry participants (for example, Nillumbik Shire Council, sub. 31) argued that, in general, better coordination of departmental and local government activities can result in enhanced liveability outcomes.

The Department of Planning and Community Development (DPCD) is responsible for cross-government coordination of actions and initiatives on housing affordability (sub. 51). DHS and DPCD worked together to produce *Toward an Integrated Victorian Housing Strategy* which sets out a framework for future action to make housing more affordable and more sustainable in Victoria (DHS 2006a).

State and local government have collaborated through housing working groups across metropolitan Melbourne to develop housing statements and implementation plans for the housing needs of each area (MAV 2008).

In addition, several councils have developed local strategies which aim to influence the availability of affordable housing in their municipalities (MAV, sub. 22). A report for AHURI which evaluated local strategies in Queensland, New South Wales and Victoria found that those councils who were able to leverage collaborative relationships with other service and housing providers were also most successful in developing and implementing a diverse and innovative range of local housing initiatives. The report also found that there are few examples of strong state–local government and industry collaboration (Gurran 2003).

In its submission to the inquiry, the Municipal Association of Victoria (MAV) argued for an intergovernmental approach to housing policy to address the challenges of housing affordability and ensuring housing supply meets community needs. The MAV advocated the establishment of a Victorian affordable housing steering committee including state and local government and industry representatives (sub. 22).

There are numerous housing initiatives at different levels of government. While this creates potential for coordination problems and working at cross purposes, submissions provided little evidence of a lack of coordination.

## C.4.2 Information base

Information plays a key role in making housing markets work efficiently. The private sector and government collect and provide a range of information on the property market. Real estate agencies provide information on properties that are for sale and rent. Numerous websites provide detailed information on the attributes of individual properties — some of which also provide information on the availability of facilities such as schools, hospitals and transport services. Some private firms provide price information at the property, street or suburb level while the Real Estate Institute of Victoria (REIV) publishes data on median house prices for suburbs and cities in Victoria (REIV 2008b).

Although the private sector publishes housing affordability indicators on a regular basis, these indicators tend to be at the state or national level rather than at the provincial, local area or suburban level. Some studies have examined housing affordability at a provincial level but these tend to be ‘one off’ or occasional exercises. The UDIA has argued for the regular monitoring and reporting of housing affordability (UDIA 2007).

The Victorian Government collects information for policy purposes but also to inform market participants.

- The Department of Sustainability and Environment publishes median prices for houses, units and vacant land in Victoria on a quarterly basis. The Victorian Valuer-General indicated that this data collection presents ‘a far more accurate picture of the property market to provide certainty for government, the property industry, purchasers and sellers’ (DSE 2007a, DSE 2007b, p. 1).
- DHS publishes information on rents throughout Victoria on a quarterly basis (DHS 2008a). This type of information can help renters determine where they can afford to live and reduces their search costs.
- Consumer Affairs Victoria (CAV) provides information on the workings of the property market and the rights and obligations of market participants (CAV 2007a).

There are also information initiatives at the local government level. In 2008, the Cities of Melbourne, Yarra, Stonnington and Port Phillip launched a website which provides indicators on housing affordability for the inner Melbourne area. The purpose of the website is to provide useful and accessible data to inform the identification of affordable housing needs at the area level and local government level through consistent datasets that enable comparability over time and spatially (Inner Melbourne Councils 2008).

Noting the work on housing affordability indicators by DHS, DPCD and inner Melbourne councils, the MAV argued that these indicators should be extended to the rest of the state (sub. 22).

As noted in section C.2, affordability issues affect renters as well as home buyers. Richards (2008), for example, compiled rental affordability measures (that is, rent-to-income ratios). Given the significance of housing to liveability, measures of housing and rental affordability could be included in the suite of liveability indicators discussed in chapter 4.

## **C.5 The private rental market**

Submissions and roundtable discussions pointed to several issues relating to the private rental market, namely:

- the quality of rental properties
- tenants' ability to change fixtures in rental properties
- equitable access to the rental market.

### **C.5.1 Quality of rental properties**

Some inquiry participants expressed concern about the poor condition of rental properties (Roundtable 5 summary). In *Building a Strong and Fair Community*, the Victorian Council of Social Service (VCOSS) stated that:

Many people live in rental housing that is inadequate and unsafe: with running damp; broken windows, doors or fences; inadequate locks; holes in walls and floors; and without heating. Substandard housing can have harmful effects on the health, safety and security of tenants. (VCOSS 2006a, p. 50)

There is evidence that low income households face a greater risk of living in lower quality housing. In examining the experiences of renters and purchasers, Burke and Pinnegar (2007) found that some of the main compromises that low income renters make — in order to afford renting their current property — related to the quality, size and location of the property.

The quality of rental housing has implications for the health and safety of tenants but also on utility costs which generally weigh more heavily on low income households. For example, if a dwelling has little or no insulation, it would generally require more energy to maintain adequate levels of heating or cooling. Similarly, fixtures such as stoves, heaters and air conditioners that are not energy efficient will also impose additional costs on tenants. Commenting on the adequacy of dwellings, AHURI (2007) noted that poor health outcomes can stem

from a range of problems related to poor heating, insulation, ventilation and plumbing.

### **Minimum quality standards**

VCOSS (2006a) argued for the introduction of minimum housing standards legislation to protect the health, safety and security of tenants. The Victorian Housing Rights Tribunal<sup>7</sup> also argued for minimum standards for both public and private rental housing in Victoria to ensure people are not living in substandard accommodation (VHRT 2004).

The *Residential Tenancies Act 1997* (Vic.) contains provisions that are relevant to the quality of rental properties. Under the Act, the landlord must ensure that rental properties: are ‘reasonably clean’ on the day the tenant is to enter into occupation (s65(1)); are ‘maintained in good repair’ (s68(1)); and have secure locks (s70). In addition, replacement water appliances must have at least an A rating (s69). There are also provisions in the Act which facilitate necessary repairs when landlords are tardy.

The Commission has been unable to find a requirement for minimum standards that rental properties be fit for human habitation. For instance, there appear to be no requirements in the Residential Tenancies Act that a rental property have insulation or heating systems. That said, a residential tenant may terminate a lease if the property is unfit for human habitation (s238) but this may be of little value to vulnerable tenants when rental properties are in short supply — as is currently the case in Victoria (REIV 2008a).

Some standards have been developed for public and community housing. DHS has a housing standards policy applicable to all properties under its care, management and funding. For example, reletting standards relate to safety, security, cleaning and good repair (including painting, floor and window coverings, and appliances). Where physical constraints limit the application of the standards or where excessive costs will result, discretion can be exercised in adopting alternative cost effective solutions (DHS 2006b).

One approach would be to introduce a requirement into the Residential Tenancies Act that a rental property must be fit for human habitation when leased. This raises the issue of how ‘fit for human habitation’ would be interpreted. If, for instance, the reletting or leasing standards developed by DHS

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<sup>7</sup> The Victorian Housing Rights Tribunal is a project of the ‘Housing is a human right’ project, a collaborative project of VCOSS, Shelter Victoria, Women’s Housing Ltd and the Centre on Housing Rights and Evictions.

were adopted as minimum requirements, this would probably raise the quality of many private rental properties on the market.

At the same time, such minimum requirements would likely add to the costs of rental supply and flow through into higher rents. Faced with the costs of meeting these new requirements, some landlords may decide to withdraw their properties from the market thereby reducing supply. This outcome would possibly increase the risk of homelessness for those on very low incomes.

### **Non-regulatory approaches**

While prospective tenants generally inspect properties to assess their suitability, visual inspections may not always identify safety or quality problems that are not immediately apparent. Moreover, given the tight rental market in Victoria, people on low incomes may still decide to rent a property despite it having significant shortcomings.

Another approach to the quality issue is to make more information available to prospective tenants on the quality of private rental properties on the market. This type of information could be provided through an accreditation scheme and/or ratings scheme.

Under an accreditation scheme, a property would be subject to inspection to ascertain whether it meets particular standards. For example, residential aged care services which are able to provide suitable accommodation and care are granted certification by the Commonwealth Department of Health and Ageing (DOHA 2005). This scheme is aimed at improving the physical quality of Commonwealth-funded residential aged care. An accreditation system is used to verify that aged care homes provide quality care and services (ACSAA 2008).

One approach might be to establish an accreditation scheme which would assess the quality of private rental properties in Victoria. This scheme could be a 'tick of approval' system whereby a rental property obtains accreditation for meeting minimum quality standards. Another option would be a ratings scheme (such as the star rating systems used for tourist accommodation)<sup>8</sup> which could provide more differentiated information about the quality of rental properties.

There would be costs in setting up and running these schemes. Costs would be related to design issues such as the frequency and type of assessment involved; for example, costs would be lower if there were a small set of basic standards

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<sup>8</sup> For example, business travellers and tourists often use star ratings to choose accommodation. The star ratings provide information on the standard of accommodation and the facilities offered (CAV 2006).

relating to safety, security, appliances, and floor and window coverings. These schemes could be operated by industry and participation would be voluntary. The effectiveness of such schemes would depend, among other things, on the level of participation.

### **C.5.2 Minor modifications to rental properties**

According to some inquiry participants, tenants in private rental housing in Victoria are constrained from changing fixtures and fittings due to provisions in the Residential Tenancies Act. For example, tenants cannot install water-efficient showerheads without the landlord's permission. It was suggested that more flexibility is needed in the Act to allow tenants to make minor changes to fixtures (Roundtable 5 summary).

There are two sets of provisions relating to this issue in Victorian statute. First, the Residential Tenancies Act provides that tenants must not install fixtures without the landlord's consent (s64). In other words, a tenant cannot make alterations unilaterally. Second, the *Equal Opportunity Act 1995* (Vic.) provides that it is unlawful discrimination for a landlord not to permit a tenant with an impairment to make reasonable alterations to meet their needs (s51).

Some tenants may be reluctant to seek the landlord's consent to change fixtures for reasons such as lack of empowerment or knowledge of provisions in the Residential Tenancies Act. At the roundtable discussions, David Imber (VCOSS) noted that many people on low incomes who are at risk of eviction or who are unable to articulate their needs may not ask their landlord if they can change fixtures (Roundtable 5 transcript).

If such tenants were able to make changes to minor fixtures such as showerheads, this would likely result in savings in tenants' utility bills. This would also be consistent with the Victorian Government's environmental objectives and initiatives relating to water and energy efficiency. For instance, the Government is providing 180 000 free low-flow showerheads to Victorian homes 'to help households save water, cut greenhouse gas emissions and save on water and energy bills' (Minister for Water 2006, p. 1).

One approach would be to amend the Residential Tenancies Act to provide that it is an implied term of a residential tenancy agreement that tenants may change minor fittings and fixtures in their rental property with the landlord's consent but that consent must not be unreasonably withheld. This may strengthen tenants' ability to install water or energy efficient fixtures and generate cost savings.

There are arguments for giving tenants more flexibility to personalise their rental properties. For example, Hulse and Burke (2008) suggested that if it is accepted that more people will be renting in the future, it may be worth re-examining some of the distinctions between owning and renting. Broader tenancy reform might examine the length of leases and the allocation of responsibilities between landlords and tenants.

### **C.5.3 Access to the rental market**

Some inquiry participants raised the issue of discrimination in the rental market. For example, the Ethnic Communities' Council of Victoria stated that some migrants have faced various forms of discrimination in the private rental market (sub. 20). At the roundtable discussions, Helen Szoke of the Victorian Equal Opportunity & Human Rights Commission (VEOHRC) indicated that there are some groups in the community (such as indigenous people and newly arrived migrants) that still have poor access to the private rental market (Roundtable 5 transcript).

Discrimination in accommodation creates exclusion and hardship, and imposes additional costs on affected parties such as additional search costs. A recent study cited in VEOHRC (2008) attributed high levels of indigenous homelessness and unemployment to discrimination in accommodation.

Victoria has legislation to deal with a range of discrimination. Part 3 division 5 of the *Equal Opportunity Act 1995* (Vic.) prohibits discrimination in accommodation, and part 7 of the Act deals with complaints and their resolution. In addition, under the *Estate Agents Act 1980* (Vic.), if an estate agent engages in discrimination, that may be considered conduct as an estate agent 'which renders him or her unfit to hold a licence' (s25(1)(c)).

Complaints about discrimination in accommodation represented around 2 per cent of all complaints reported to VEOHRC in the past five years (EOCV 2003–2006, VEOHRC 2007b). The three most common types of complaints in the area of accommodation relate to discrimination based on disability, religious belief and race.<sup>9</sup>

However, complaints data are likely to understate the prevalence of unlawful discriminatory behaviour. For instance, some people who suffer discrimination may not report it because they may not be aware of the available options (such as

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<sup>9</sup> These complaints together constituted around 45 per cent of all complaints about discrimination in accommodation over the period 2002-03 to 2006-07.

the complaints mechanism) or may fear retaliation. According to VEOHRC (2008), research about discrimination suggests that it is much more prevalent than complaints data indicate.

The Disability Reference Group reported that some real estate agents work very well with people with disabilities but others are inclined to believe stereotypes about disability making it difficult for tenants with disabilities to rent a property of their choice (DRG 2006). There is evidence of discrimination in accommodation based on other attributes. The Tenants Union of Victoria stated that its files contain examples of poor agent practice, including:

Evidence of systemic discrimination in the provision of rental property on the basis of race, age, parental status and source of income that may constitute breaches of anti-discrimination statutes such as the *Equal Opportunity Act* 1995, the *Sex Discrimination Act* 1984 (Cth) and the *Racial Discrimination Act* 1975 (Cth). (TUV 2006, p. 2)

Addressing discrimination in the private rental market will make for a more inclusive society and therefore a more liveable society. In addition to VEOHRC addressing complaints, information and training can play a role by raising the awareness of anti-discrimination laws among estate agents, landlords and the wider community. There have been initiatives in this area; for example, VEOHRC and CAV have prepared guides for tenants and for landlords and estate agents which contain information about anti-discrimination laws (CAV 2004, 2007b, VEOHRC 2007a).

Reviews of major parts of the Equal Opportunity Act are currently in progress (DOJ 2008).

## **C.6 Diverse and accessible housing**

In addition to housing affordability, the issues of diverse and accessible housing were raised in a number of submissions and roundtable discussions.

### **C.6.1 Diversity in housing stock**

Several inquiry participants argued that diversity in housing stock can positively contribute to social, health and liveability outcomes. The MAV stated that:

The diversity of housing types available within an area, from smaller single person dwellings, to large detached family homes as well as ‘shop top’ or higher density contribute significantly towards the housing needs of different socio-economic groups and lifestyle needs and choices. (sub. 22, p. 9)

Some councils argued that state planning rules are not flexible enough for provincial areas (Roundtable 2 summary) which may affect the potential supply of different housing options; for example, restrictions on the use of shop-tops for residential purposes.

There are some state and local government initiatives in this area.

- The Victorian Government established the VicUrban Provincial Unit to provide advice and help deliver new residential projects across provincial Victoria. A focus of the unit is on creating greater diversity in provincial housing such as medium density options within walking distance to town centres (Minister for State and Regional Development 2006).
- The Maroondah Urban Design Framework encourages the placement of lower storey apartment style buildings and shop-top housing within Neighbourhood Centres (Michael Smith and Associates 2006). In a report for Maroondah City Council, SGS Economics & Planning indicated that one of the benefits of the Ringwood Transit City would be improved housing choice (sub. 34).

DHS, however, argued that the private housing market is not delivering the range and diversity in housing products needed to support socially diverse and sustainable communities. The department pointed to the increasing number of single person households but noted that little new housing supply is being constructed for the needs of this group (sub. 59).

## **C.6.2 Accessible and adaptable housing**

The MAV stated that consideration needs to be given to accessible housing or ‘whole of life’ housing (sub. 22, p. 9). The Wellington Shire Council noted that accessible housing enables people to ‘age in place’ (sub. 24, p. 2). VEOHRC also cited the need for low cost accessible housing (sub. 44).

The report *Housing Regulation in Victoria: Building Better Outcomes* differentiated between accessible, visitable and adaptable dwellings:

- accessible dwellings allow full access and use for all occupants and visitors
- visitable dwellings allow everyone to visit with dignity
- adaptable dwellings should be visitable and able to be altered (without major structural works) at relatively low cost to become fully accessible and usable in the future (VCEC 2005a).

The Disability Council of New South Wales outlined some of the specific features that can ensure a house is accessible (box C.1).

### Box C.1 Features of accessible housing

According to the Disability Council of New South Wales, the following outcomes result from the application of universal housing design principles (which encompass accessible and adaptable housing design):

- There is a continuous accessible path of travel from the front boundary or car park and throughout the entry level of dwelling.
- The entry is on the main level which has a living and food preparation area, an accessible shower, hand basin, toilet and bedroom.
- Living areas and bedrooms, when furnished, allow for adequate circulation space for a person using a wheelchair.
- Doorways and corridors are wide enough to allow a person using a wheelchair to manoeuvre into and out of rooms.
- Door furniture, switches, controls and outlets are within reach of and can be used by all.
- There is potential for future adaptation to dwellings with two or more levels for vertical access by a person using a wheelchair.
- Walls in toilets and bathrooms are reinforced to enable future fixing of grab rails.

Source: DCNSW 2005.

The Victorian Government has undertaken some initiatives to increase the awareness and understanding of accessible housing. The Building Commission has promoted accessible housing and prepared the guide *Welcome — Design Ideas for Accessible Homes* in collaboration with government agencies and building industry organisations (Building Commission 2002). In addition, VicUrban has launched the Accessible Adaptable Housing Project at Roxburgh Park, which will offer affordable well-designed homes that incorporate accessible and adaptable housing features (VicUrban 2007).

## C.7 Summing up

Housing affordability in Victoria has deteriorated significantly over the past decade; that is, housing has become less affordable. While home owners and investors generally have benefited from appreciating property values, the deterioration in housing affordability has adversely affected the ability of many first home seekers to purchase a home, especially in many inner and middle suburbs of Melbourne. That said, there is evidence that housing in the growth areas of Melbourne and provincial centres are relatively more affordable.

Rental affordability (as measured by rent-to-income ratios) has deteriorated over the past two decades for renter households of all income levels. Of the

households considered to be in housing stress, the majority are low-income renters. Inquiry participants also pointed to quality and access issues in the private rental market which particularly affect disadvantaged groups in the Victorian community.

Given the significance of housing to liveability, measures of housing and rental affordability could be included in the suite of liveability indicators discussed in chapter 4.

## **Appendix D: How sustainable urban concepts have been adopted internationally**

### **D.1 Introduction**

The terms of reference require the Victorian Competition and Efficiency Commission (the Commission) to report on the planning, design and implementation of sustainable urban concepts and systems in other jurisdictions — both in Australia and internationally — that are focused on achieving liveability goals, and comment on the potential applicability of such approaches in Victoria.

To determine the potential applicability of international experience with these approaches in Victoria, the Commission asked Urbis Pty Ltd (Urbis) to examine the ways in which differences in definition and implementation of sustainable urban concepts have affected the liveability and competitiveness of four cities around the world. The four selected cities were chosen to obtain a range of perspectives, while at the same time being broadly comparable to Melbourne or a large provincial centre. The cities selected for examination were:

- Vancouver (section D.2)
- Liverpool (section D.3)
- Barcelona (section D.4)
- Dublin (section D.5).

This appendix reports the key findings from Urbis' report. Urbis' complete report is available on the Commission's website: [vcec.vic.gov.au](http://vcec.vic.gov.au).

### **D.2 Vancouver**

The current population of Vancouver is approximately 590 000 while the population of the metropolitan region, known as Metro Vancouver, is approximately 2 180 000.

The Greater Vancouver Regional District (GVRD) coordinates the planning policy and practice of 21 local councils located in the Greater Vancouver regional district. The GVRD is the planning arm of a larger cooperate entity, Metro Vancouver, which has responsibility for water, sewage and public housing management in metropolitan Vancouver. Both the GVRD and Metro Vancouver have boards of management comprised of members of municipal councils from every municipality in the region.

The approach taken by the GVRD to sustainable urban development is outlined in its *Liveable Region Strategic Plan* (LRSP). The LRSP's primary task is to 'help maintain regional liveability and protect the environment in the face of anticipated growth'.

The four main strategies of LRSP are:

- **Protect the Green Zone:** The Green Zone protects Vancouver's natural assets, including major parks, watersheds and ecologically important areas. It also establishes a long-term growth boundary.
- **Build complete communities:** The main policy to help achieve complete communities is the designation of a Metropolitan Core and Regional and Municipal Town Centres — it is considered that more complete communities will result in more jobs closer to where people live and accessible by transit, shops and services near home, and a wider choice of housing types.
- **Increase transportation choice:** The plan supports the increased use of transit, walking and cycling by minimising the need to travel (through convenient arrangement of land uses) and by managing transportation supply and demand. The explicit goal is to reduce the use of private cars.
- **Achieve a compact metropolitan region:** most residential growth in the region is to be concentrated in its core municipalities, identified in the Strategic Plan as the growth concentration area. This strategy is a natural corollary to the previous three. For example, it would be difficult to protect the Green Zone if growth was not concentrated within the available urban area. Communities would not be very complete if they did not have a diversity of housing and jobs, and if everyone needed a car to get to work and/or shop. Transportation choice would be hard to provide without sufficient population densities to support expanded transit service (Urbis 2008, pp. 16–8).

The LRSP states that partnerships are essential to the successful implementation of the Strategic Plan, since land use, development and transportation decisions are being made every day in each of the municipalities that make up Greater Vancouver. In light of this, efforts are made to maintain collaboration and co-ordination among the regional partners. To this end, the GVRD entered into a number of formal agreements with its partners to enhance collaboration and co-ordination. An example is provided by the *Regional Context Statements* which are agreements between member municipalities and the GVRD. The statements are prepared by the municipalities and accepted by the GVRD Board, and describe the municipal policies, principles and programs which support the LRSP, and, where necessary, how these policies will evolve over time to provide greater consistency with the LRSP (Urbis 2008, pp. 18–20).

Since the original drafting of the LRSP, metropolitan Vancouver has introduced the *Greater Vancouver Regional District Sustainable Region Initiative*. This involves assessing all metropolitan Vancouver (and hence GVRD) activities in terms of their contribution to the sustainability of Vancouver. The subtle change of emphasis from liveability to sustainability has not resulted in a fundamental change to the LRSP (Urbis 2008, p. 19).

### **D.2.1 The success of Vancouver's plan**

The GVRD monitors progress with respect to its strategic plan and publishes an annual report outlining performance.

The GVRD states that the 2005 Annual Report on LRSP shows progress in most of the LRSP's objectives. For example, the amount of green zone land appears to be stable and town centres are growing in size and diversity at a greater rate than the surrounding urban area. Nevertheless, in Vancouver public transport usage is still relatively low (with 11.5 per cent of commuters taking public transport, compared to 14.5 per cent in Melbourne (box 8.2)) — and gains in terms of reduced car usage and community distances have been modest. Moreover, a current review of the LRSP suggests that aspects of the quality of life, such as social issues, affordability, economic development, and aesthetics have not yet been fully addressed (Urbis 2008, p. 21).

### **D.2.2 Implications and lessons for Victoria**

Vancouver is continually rated as one of the world's most liveable and competitive cities and is often closely matched with Melbourne (chapter 4). Continued expansion of the urban area and population growth have, however, been recognised as a potential threat to the sustainability and liveability of the city. In response, the relevant authorities have developed a comprehensive strategic planning strategy that seeks to manage growth in a way that minimises its detrimental impacts, so that the natural beauty of the city is not compromised by problems such as traffic congestion, pollution, extended commuting times or inaccessibility of community services.

According to Urbis, the tools employed in Vancouver are similar to those used in *Melbourne 2030* and seem to be working reasonably well in maintaining green zones and building density around town centres. Traffic congestion and housing affordability, however, appear to be worsening — challenges also facing Melbourne and its surrounds. Complementary strategies to address these issues will therefore need to be implemented and updated over time if Melbourne and Vancouver are to maintain their environmental and urban form assets, while at the same time ensuring social equity and accessibility. There may also be some benefit if state based liveability issues are managed in a more coordinated (yet inclusive) manner (Urbis 2008, pp. 25–6).

## D.3 Liverpool

Liverpool is both a city and metropolitan borough comprising a number of smaller towns within the greater region of Merseyside. Liverpool is one of England's most populous cities, with a population of 447 500.

Liverpool has undergone a dramatic change since the 1980s when unemployment rates in Liverpool were among the highest in the United Kingdom (UK). Today, Liverpool is recognised internationally as a city and region with a range of positive attributes. This transformation was facilitated by a change of national government in 1997 that exposed four key challenges for urban policy and governance:

- policy making had become too centralised, bureaucratic and remote from local people
- the gap between poorer and richer urban neighbourhoods and regions was rapidly widening
- the creation of large numbers of quangos (quasi autonomous national government organisations) required new ways of working between local, regional and national partners
- declining local voting demonstrated the need for democratic renewal, modernisation of local government and new forms of citizen engagement (Urbis 2008, p. 28).

There was an enormous amount of activity and change in urban policy during the eight years that followed and a range of measures were introduced which devolved responsibility by giving regional and local organisations greater discretion; promoted greater collaboration between local, regional and national partners; modernised local government and encouraged greater citizen engagement in decision making. Underpinning these measures were principles that recognised cities as economic drivers not liabilities; changing the balance of power between nation, region, city and neighbourhoods; reducing sprawl, developing sustainable communities and managing housing markets.

Liverpool's urban sustainability objectives are guided by the *Core Strategy Development Plan* (CSDP) which identifies five broad strategic objectives for the future of Liverpool:

- to strengthen Liverpool's economy and improve the city's image
- to build and support strong and inclusive communities
- to improve the quality of buildings and spaces, and foster local identity
- to protect the environment and minimise resource use
- to maximise accessibility

In addition, Liverpool's *Local Development Framework* relates to the local authority area of Liverpool City Council.

To be effective and to strike the right balance of service delivery and democratic accountability the city council decided on a new structure to make better use of their democratic mandate. Strong leadership was recognised as being required to drive growth and build an inclusive community, at four distinct levels: neighbourhood, corporate, strategic city partnerships, and the wider city region. Community engagement was also central to both the process of drawing up local statutory strategic plans and to solving public problems (Urbis 2008, pp. 28–31).

### **D.3.1 The success of Liverpool's plan**

Each year the Liverpool City Council produces an Annual Monitoring Report to review progress with production of the *Local Development Framework* and assess the extent to which policies are being implemented and the effects that these policies are having.

The 2006 Annual Monitoring Report shows that policies in Liverpool's *Local Development Framework* have proved successful and significant progress was being made in achieving their objectives. However, there were a number of challenges that still needed attention:

- developing policies to re-allocate land previously earmarked for other uses, as well as sustainable waste management
- maximising accessibility, for despite relatively low car ownership levels there is still a very heavy reliance on cars or vans as the primary means of transport, especially for commuting. It was found that Liverpool Council needed to encourage more people to shift from using the car to more sustainable means of transport. The report also stated the council would need to ensure that developments, and in particular new residential developments, are either located in the most accessible locations or that they are closely linked to the public transport network.

The *State of the English Cities Report* also acknowledged Liverpool successes but concluded that it still had a way to go in a number of areas (Urbis 2008, p. 34).

### **D.3.2 Implications and lessons for Victoria**

According to Urbis, Liverpool is an example of a city which is now better placed than at any other time since the end of the nineteenth century to become a motor of national advancement. The process of urban renaissance is now well entrenched and has dramatically improved the quality of its cultural, leisure and retail facilities. Substantial private sector investment is taking place; however it is important to ensure that the economic success of the city is spread not only

within the city itself but also more widely across the region. Urbis also noted that the pursuit of economic success does not lead to the elimination of social problems. Achieving economic success along with social justice was identified as an ongoing challenge for many governments and organisations.

Several barriers to the effective promotion of the liveability agenda have emerged in the *National Evaluation Report of the English Cities*. Some of the key barriers include:

- the frequent absence of a coherent strategic vision for environmental regeneration
- piecemeal interventions
- insufficient coordination with other agencies (Urbis 2008, pp. 34–6).

## D.4 Barcelona

The metropolitan area of Barcelona is territorially divided into ten districts, with each district being overseen by a manager appointed by the Barcelona Mayor's Office. The population of the metropolitan area of Barcelona is 4.3 million, with 1.6 million in the central city.

The first coordinated strategic planning in Barcelona occurred in the late 1980s in response to the emerging pressures of globalisation and new economic and social challenges. The first strategic plan for Barcelona came into effect in 1990 and its key goal was to consolidate Barcelona as an enterprising European metropolis and guide the city to become a socially balanced and modern place to live. The plan had three strategic directions, nine objectives and 59 measures for progress. Following this first strategic plan, there have been three revised plans:

- **1994 — second strategic plan:** the goal was to integrate the metropolitan area of Barcelona in the international economy to ensure its economic growth and social progress, as well as improve the quality of life. The plan consisted of five key strategies, 16 objectives and 68 measures
- **1999 — third strategic plan:** the goal was for Barcelona to become a Knowledge Economy, including a new model for the city that satisfied the demands of the emerging knowledge activities, giving support to technology transfer policies between universities and companies, and the creation of high level research infrastructure such as technology and science parks
- **2003 — first metropolitan plan:** this was the first of the strategic plans to be applied at the metropolitan level. The territory included in the plan was the whole metropolitan area of Barcelona which includes 36 municipalities and covers 600 square metres. This plan had 26 objectives and 69 measures (Urbis 2008, p. 45).

The first Barcelona metropolitan strategic plan's mission statement was to:

... propose, within a framework of public-private and inter-municipal cooperation, and with the participation of economic and social agents, the processes of change that are required in the [Barcelona metropolitan region] ..., in order to give direction to the economic and social development of this territory and for constant regeneration of its potential for growth ... (Barcelona City Council 2003, cited in Urbis 2008, p. 46)

#### **D.4.1 The success of Barcelona's plan**

In 2004, the University of Barcelona was commissioned to study the impact on the area of the implementation of specific proposals. A total of 20 indicators were defined, which covered the overall objectives of the Barcelona metropolitan plan (plus four additional indicators concerning the reference economic framework). The findings of this research included:

- a significant increase in the number of foreign university students going to study in Catalonia compared with the number of Catalan students going to study abroad
- the total number of companies grew during 2001–2005 by around 17 per cent
- there has been an increase of 43 per cent in passenger movement in Barcelona Port between 1999 and 2004, and an increase of 42 per cent in the number of passengers at Barcelona Airport. The city now has a comfortable, efficient public transport system (bus, underground, trams and suburban trains) that is comparatively very economical
- in 2006, the public transport system was used by 910.7 million people, which represents a 2.7 per cent rise since 2005. Over the course of 2006, the public transport supply in the city and surrounding area also grew substantially: the railway network now has three new stations, more towns have been included in the bus network's integrated fare system and the operating hours of the metro have been extended (Urbis 2008, pp. 48–50).

It should also be acknowledged there have been a number of other factors which have positively impacted on Barcelona's outcomes, including:

- the move towards regionalisation and the lessening grip of the capital city, Madrid
- Barcelona's winning bid for the 1992 summer Olympic Games — a major catalyst for future restructuring and reshaping of the city
- the creative environment of Barcelona, which has been a significant contributor to the city's vitality — in 1980, the Department of Culture and Media was established and much of Spain's cultural government was devolved from Madrid. Today, there are 5000 cultural organisations in the region (Urbis 2008, p. 50).

## D.4.2 Implications and lessons for Victoria

According to Urbis, Barcelona has concentrated on developing as a well connected inclusive metropolitan area rather than just a well developed, well serviced and socially inclusive inner city. Barcelona has recognised the need for an explicit national urban policy to specifically address the challenges and opportunities facing cities and regions, and their communities and residents. Increased attention for local partnerships and the importance of civic involvement are common themes in European urban policies. Similarly, Barcelona regards partnerships — both among cities and between public and private partners — almost as a precondition for the effective delivery of national urban policies. Furthermore, Barcelona acknowledges the role of culture as value-adding for the metropolis, and the urban planning for the city recognises the symbolic role of culture in the articulation of the city (Urbis 2008, p. 51).

Urbis also noted that one of the biggest challenges facing Barcelona is social exclusion, and this is also a growing challenge for Melbourne. Policy responses for combating social exclusion differ considerably and include: urban renewal; more affordable housing; promoting compact cities; supporting social mix in neighbourhoods; providing cheap public transport; and integration policies of ethnic minorities (Urbis 2008, p. 51).

## D.5 Dublin

Dublin city is controlled by the Dublin City Council and manages a land area of around 11 500 hectares. The population of the administrative area controlled by Dublin City Council is 495 781 and about 40 per cent of Ireland's population live within 100 km from the city.

The approach taken by Dublin to sustainable urban development is outlined in a number of documents. However, the vision for the city as outlined in these plans and strategies is:

... to enhance the quality of life and experience of the city for the residents, workers, commuters and visitors and to consolidate the urban form of the city and to do so in conjunction with improvements to the public transport network. (Dublin City Council 2005, cited in Urbis 2008, p. 38)

In summary, the key documents include:

- *National Spatial Strategy 2002-2020* — This is the national planning framework designed to coordinate future development and planning in Ireland in a sustainable manner. It outlines a number of requirements that are integral to supporting the consolidation of the economic and habitable city

- *Regional Planning Guidelines for the Greater Dublin* — Published in July 2004, these guidelines provide a long term planning framework for the development of the Greater Dublin Area up to 2016, within the vision of the *National Spatial Strategy 2002-2020*
- *A Platform for Change 2000-2016*, Dublin Transportation Office — The Dublin Transportation Office (DTO) was set up in 1995 to carry out ongoing transportation planning processes. In 2001, the DTO published *A Platform for Change* which provides an integrated transportation strategy for the Greater Dublin Area for 2000-2016
- *Dublin – A City of Possibilities 2002-2012* — This is a 10 year economic, social and cultural strategy for Dublin City. Its objectives are to redevelop dilapidated areas and halt the dramatic decline of the population in the city centre by strengthening the area as a centre for business and services, and create a climate of confidence to stimulate and win back investment. Themes in the strategy include *City of Neighbourhoods*, *Community Friendly City* and *City of Homes*
- *The Dublin City Development Plan 2005-2011* — This plan sets out the spatial framework for the city, the wider region and the state as a whole. The plan sets out a new spatial strategy to steer future growth in both the inner and outer city (Urbis 2008, pp. 38–40).

For the purposes of planning and development, the greater Dublin area is covered administratively by the combined Dublin Regional Authority and Mid-East Regional Authority. The Dublin City Development Board has responsibility for *Dublin – A City of Possibilities 2002-2012* and includes representatives from local government, local development, statutory agencies and social partners; with Dublin City Council as the lead agency.

### **D.5.1 The success of Dublin’s plan**

Since 1995, the landscape of Dublin has changed immensely, with enormous private and state development of housing, transport and business. Key changes included:

- an enhanced multi-modal transport system, increased overall residential development densities and the delivery of well designed urban environments. For example (among other developments), seven new light rail projects and two Metro lines now connect emerging new communities
- a major extension in its urban renewal programme — where there has been active collaboration between architects, planners and urban designers producing innovative new projects. This has assisted in the creation of a whole series of ‘urban quarters’ where employment, residential development and recreational and cultural spaces coexist in harmony (Urbis 2008, pp. 40–3).

While Dublin has experienced the benefits of economic success and urban renewal, this has come with a cost. Dublin is now the world's sixteenth most expensive city (eighth most expensive city in Europe, excluding Russian cities) albeit with the fourth highest wages of any city in the world. Thus, the cost of living will pose a challenge for Dublin, as it attempts to sustain growth but also ensure equity for its citizens (Urbis 2008, p. 42).

### **D.5.2 Implications and lessons for Victoria**

According to Urbis, Melbourne can learn from the many changes and rapid growth of Dublin. In 2005, a mid term review of Dublin's many strategies was undertaken.

A key lesson for Melbourne from this review is the importance of undertaking a 'partnership approach' — where by taking account of the aspirations of the 'whole', the aspirations of the 'individual parts' have been better served and satisfied. For example, successive national development plans have had partnership embedded in their philosophy and in their resulting priorities and objectives. Urbis argues that this belief in partnership and integration, evident at a national level, has filtered down to city and county level to fundamentally alter the landscape of local service delivery.

With change come challenges; and the considerable change experienced in Dublin over the past decades has brought with it a number of issues, including:

- The economic prosperity now evident in Dublin has not impacted equally across the whole city community and social inclusion will remain a priority for the foreseeable future.
- The growth in employment and the continuing demand for workers to service the economy has resulted in the emergence of many migrant, ethnic communities. How Dublin embraces these new communities is an issue of particular importance over the coming years.
- While there are many infrastructural deficits being addressed, there are a number of pertinent social issues, for example, adequate childcare provision that will need to be addressed (Urbis 2008, p. 43).

## **D.6 Summing up**

In observing the success of implementing sustainable urban concepts in Vancouver, Liverpool, Barcelona and Dublin, the Commission notes that:

- some strategies similar to *Melbourne 2030* have been implemented internationally — for example, there has been an emphasis on ensuring 'green zones' and ensuring a 'compact city'

- there is no distinctly different approach that has led to markedly better outcomes for social, environmental and economic objectives
- all the cities studied had governance structures in place to permit a holistic approach to planning across the greater city area.

Other high level observations and conclusions from international experience suggest:

- collaboration (with local governments and the private sector) is important if an holistic city-wide development is to occur
- governance arrangements — focusing on managing the tension between the legitimate perspectives of local communities and the city as a whole — need to be transparent and robust, with clear city priorities set
- annual reporting on progress is important if continuous improvements are to occur
- a willingness to change and adapt is required if emerging challenges — population, environmental and technological — are to be met and successfully addressed.



## Appendix E: Regulation in the taxi industry

### E.1 Introduction

Taxis are an essential component of the public transport sector, accounting for more than 35 million trips annually in Victoria. Of these trips, about 500 000 are by people using wheelchairs (Economic Associates 2008, p. 6). The most recent national survey of taxi customers was in 2002, which found that on average Victorians took four taxi trips during the six months prior to the survey, while 12 per cent of respondents had taken 21 or more trips. However, 30 per cent of respondents stated that they had tried to get a taxi and failed (Colmar Brunton 2002).

Taxis are a flexible component of the public transport sector, as the then Transport Minister noted in 2006:

They take people to and from business meetings as well as our major events. They ferry people to and from the airport for business trips or holidays. They enable people to travel home from social functions in a way that is safe for themselves and other road users. For people with disabilities and the elderly, taxis offer a level of mobility and access not always readily available elsewhere. Tourists and visitors to our state are also particularly dependent on taxi services and their perception of Victoria and enjoyment of their stay can be significantly affected by the quality of service they receive. (Bachelor 2006, p. 2484)

On the importance of taxis to liveability the Department of Infrastructure/Department of Transport (DOI/DOT) stated that:

Victoria's taxi industry has a key role to play in supporting the liveability of Melbourne and provincial Victoria — providing mobility for people with disabilities, supporting the State's tourism industry and allowing people to travel to and from events late at night. (Government of Victoria 2006, p. 62)

Accordingly, *Meeting Our Transport Challenges* (MOTC) identified providing better taxi services for regional communities and for metropolitan areas as key programs under action 5 (delivering first class public transport for provincial Victoria) and action 9 (creating accessible, connected communities).

Taxis and related services are highly regulated. They are regulated by the *Transport Act 1983* (Vic.), Transport (Taxi-Cab Licences — Market and Trading) Regulations 2005, Transport (Taxi-Cab Industry Accreditation) Regulations 2007, Transport (Taxi-Cabs) Regulations 2005, Taxi Industry Accreditation Business and Service Standards, and gazetted Vehicle Specifications. In addition, there are licence conditions that cover such matters as advertising on vehicles.

The 1999 review<sup>1</sup> under the National Competition Principles identified the following objectives of the regulations:

- to minimise safety risks to passengers and drivers
- to prevent monopoly pricing and consumer exploitation (consumer protection)
- to promote a positive image for the tourism industry (KPMG 1999, p. 5).

Despite the regulations outlined above, there have been widespread concerns with the operation of this industry. The Victorian Taxi Directorate (VTD) receives almost 2000 complaints annually, and issues about 2300 defect notices (Allen Consulting Group 2007). In 2005-06, 1125 complaints were about driver conduct, and 36 were complaints about fraud. But many of the complaints are about more serious matters; 29 were complaints about driver assaults and 26 complaints of sexual assaults.

DOI/DOT (2008b) customer surveys also indicate lower overall client satisfaction indices for taxis (57.6), than Yarra Trams, Metropolitan buses (both 67.5), and Connex trains (60.6).

DOI/DOT recently quoted the Australian Hotels Association (AHA) representing three, four and five star hotels in Melbourne, who submitted to the Department that:

For a long period of time, [AHA has] been receiving an increasing number of complaints and requests for action from our member hotels in regard to the declining levels of service and problems with taxis in Melbourne. The major concern [is] not only in the fact that it affects the quality of the experience that hotels deliver, but also the experience of leisure tourists, people attending conventions, and business visitors to Melbourne, who take away an impression that is influenced in many ways by the experience with our taxis. (quoted in Economic Associates 2008, p. 16)

## **E.2 Taxis for people with a disability**

The problems of the taxi sector are a key concern for those in the community who seek the convenience of flexible, on-call public transport, and who are unable to access other forms of public transport, especially people with a disability.

The Victorian Equal Opportunity and Human Rights Commission (VEOHRC) raised specific concerns regarding accessibility of taxi services for people with a disability — in particular, that people with disabilities have not been receiving

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<sup>1</sup> The review examined the *Transport Act 1983*, the Transport (Taxi-Cab) Regulations 1994 and the Transport (Passenger Vehicles) Regulations 1994.

equal access to taxi services and that the taxi industry (and taxi regulator) have 'been slow' to make the necessary, reasonable adjustments to ensure equitable access (sub. 44).

In particular, people with a disability have expressed concerns over long waiting times for taxis, especially wheelchair accessible taxis. In a survey commissioned by VEORHC and the VTD in 2006, 67 per cent of respondents indicated that they experienced lateness or lengthy delays when booking a taxi, with waiting times often amounting to an hour (Market Solutions Pty Ltd 2006, p. 13).

The Commission notes that the VEOHRC has released a report on the use of taxi services by people with a disability and the need for adjustments to the provision of taxi services to be made to ensure equitable access to these services (VEOHRC 2007c). In it, the VEOHRC proposes a range of high level measures designed to strengthen the current regulatory framework including:

- promoting greater involvement of people with disabilities in the development of taxi services through the establishment of a Disabled Persons Taxi Advisory Committee
- strengthening the industry accreditation business and service standards to include reporting on customers using wheelchair accessible taxis
- developing a pilot program to introduce a 'micro management system' to improve responsiveness and timeliness in the provision of wheelchair accessible taxis
- raising awareness among drivers, owners and depot operators of the diverse needs of people with a disability, utilising taxi services through improved driver training and the development of a communication strategy (VEOHRC 2007c).

### **E.3 The impacts of economic regulation**

Some aspects of the current regulation, particularly the restrictions on the number of vehicle licences, increase fares and waiting times, dull the incentives for industry participants to improve service quality and limit innovation.

Economic regulation limits the number of service providers through issuing taxi licences. The Essential Services Commission has noted that:

... the number of metropolitan conventional taxi licences has been virtually unchanged since the mid-1970s, with the exception of the issue of 160 conventional licences in 1986-87, and the introduction over the past decade of

WAT [wheelchair accessible taxi] and HOV [high occupancy vehicle] license, and peak period licences (ESC 2007, p. 19).<sup>2</sup>

Taxi licences issued prior to 9 May 2002 were tradeable and assignable, while licences issued after this date are leased from the government and are not tradeable or assignable. Licences may only be purchased through industry brokers, who must be licensed by BSX Services Pty Ltd (a member of the Bendigo Stock Exchange Group). Owners can hold multiple licences.

As a result of the restrictions on the number of licences, their value has surged. Between 1999 and 2008, the approximate market value of metropolitan taxi licences has increased from \$256 000 to \$480 000 (DOI 2008c).

Although license values and ownership patterns may differ significantly in provincial and metropolitan areas, the distortions created by the entry restrictions are not limited to Melbourne. The 1999 industry review found that as a result of restrictions, licence capital values amounted to \$210 000, \$215 000 and \$73 000 in Bendigo, Ballarat and Robinvale, respectively (compared to the then \$256 000 value in Melbourne).

More than 60 per cent of licence owners do not operate the licences they own but rather use them as a long-term investment. They assign them to an operator who purchases, maintains and operates the taxi and delivers the service. Taxi drivers can be owner-drivers or employees who work for a larger taxi fleet. Individuals can also work for a taxi owner on a profit share arrangement (similar to sub-contracting), when operators let their taxis to drivers for an agreed period on agreed conditions under the industry *Bailment Agreement*.

As the latest regulatory impact statement in this area noted:

Over the last seventeen years, the proportion of licences that are assigned has increased dramatically. Many licence-holders are using their licence as a long-term investment. (Economic Associates 2008, p. 5)

Restrictions on the number of vehicles has been estimated to lead to taxi fares about 16 per cent higher than they would be otherwise, with the average Victorian taxi incurring lease payments of over \$23 000 annually in 2007 (ESC 2007). This costs taxi customers about \$110 million per annum. These costs may fall disproportionately on those less well off. Those on the lowest 20 per cent of household incomes, spend more than twice their share of expenditure on taxis to those in the highest 20 per cent (Soon 1999).

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<sup>2</sup> The total number of taxi licences in Victoria exceeded 4600 in 2007 (DOI 2008c). Between 1991 and 2007, the number of taxis per 10 000 people decreased from 9.9 to 8.9.

In addition, the increased regulation has been accompanied by increased depot/depot consolidation, and an average taxi's network costs have grown over five per cent per annum over the last three years to now account for over \$6700 annually (ESC 2007).

The 1999 review, commenting on the issues related to the release of 1000 new high occupancy vehicle licences noted:

A major concern with the issuing of these licences is the regulatory 'spiral' that it seems to be encouraging. Ultimately, the more conditions that are placed on licences the more enforcement is required and the higher the costs from distorting market incentives. (KPMG 1999, p. 54)

As the Essential Services Commission noted:

Whilst the regulation of many industries has decreased during the past decade or so, the regulation of taxis is still supported in most Australian jurisdictions, with the exception of the Northern Territory which has recently reformed taxi regulation. Regulation is also being reduced in a number of European countries, and has been deregulated in New Zealand. In Australia, a number of major inquiries have supported greater deregulation of the taxi industry, such as the 1986 Foletta report into taxis, the 1999 Productivity Commission Regulation of the Taxi Industry research paper, and the 1999 Department of Infrastructure National Competition Policy Review of Taxi-cab and Small Commercial Passenger Vehicle Legislation (Victoria) prepared by KPMG Consulting. (ESC 2007, p. 10)

As a result of the 1999 review, the Government introduced some limited measures to improve competition from 2002, including the issue of 600 peak hour licenses, and relaxation of some restrictions on hire cars. The taxi and hire car reform package also included the introduction of a new driver accreditation system, market and trading regulations for taxi licences, a new customer charter, improved driver training, establishment of the Taxi Industry Safety Taskforce, and conducting country taxi service and fares reviews.

But the scope to harness competition to improve quality of service does not seem to have been actively explored. Overall, during the last ten years, the sector has progressively been subject to more and more regulation.

## **E.4 Next steps in reforming taxi regulation**

The Victorian Competition and Efficiency Commission (the Commission) notes that there are opportunities to improve outcomes in the taxi industry through the use of market-based mechanisms that have not been explored actively in Victoria. For example, these can better align the (financial) incentives of drivers, owners and operators to improve the reliability and timeliness of wheelchair accessible taxis — including through reviewing the existing 'lifting fee'

arrangements or other incentives to respond to wheelchair users or through improved feedback mechanisms on driver performance.

The restrictions on competition may have also hindered service innovations. For example, in New Zealand where the number of taxis is not limited, Green Cabs has commenced operating with Toyota Prius vehicles, without government subsidies or concessions (Green Cabs, nd). In other jurisdictions, including the UK, Ireland, and Dubai, women only cab services have emerged (Pink Ladies nd), while a variety of shuttle services are found in less regulated markets.

A number of Victorian Government reviews have examined some of the issues associated with taxis and hire-cars (ESC 2007, 2008, DOI 2006, VEOHRC 2007c), but the last comprehensive examination of the merits of the restrictions on competition in this area was released in 1999. According to the *Competition Principles Agreement* (CPA) (1995), the next review of the industry is due in the near future:

Once a Party has reviewed legislation that restricts competition under the principles set out in subclauses (3) and (5), the Party will systematically review the legislation at least once every ten years. (CPA clause (5(3)))

Since the last comprehensive review in 1999, there have been substantial technical and demographic changes. Mobile phones have become ubiquitous (which increases the scope for phone booking), better communications and allocation systems have been developed (including the use of global positioning systems), and more people are working outside normal hours. Credit cards have become more widely used, and mobile electronic payments systems installed in every cab. However, innovations, such as the development of different services including shuttle services, and women only cabs, and competition on the basis of service quality or price has been hindered. These changes raise the question of whether it might be desirable to look for greater reliance on market forces to drive more responsive and higher quality services.

## **E.5                      Summing up**

The Victorian taxi industry is highly regulated. Yet consumers are suffering inadequate service and availability, and taxi drivers and operators are also adversely affected. To provide a more efficient regulation for taxis, the next National Competition Policy review could be brought forward and its scope should be broadened to cover all concepts of improving service quality and innovation in the industry.

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