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Mr John Alexander OAM, MP
Standing Committee on Infrastructure, Transport and Cities
PO Box 6021
Parliament House
CANBERRA
Canberra ACT 2600

25 July 2017

Dear Mr Alexander

Inquiry into the Australian Government's role in the development of cities.

The Property Council of Australia is pleased to provide a submission to the Inquiry into the Australian Government's role in the development of cities conducted by the Standing Committee on Infrastructure, Transport and Cities.

The Property Council is the peak body representing the interests of owners and investors in Australia's \$670 billion investment industry.

Our members are long haul investors in cities and actively champion solutions to efficiently respond to forecast population growth, and take advantage of tomorrow's economic opportunities, by rethinking the way our cities are planned, built and managed today.

Cities are the engine rooms of Australia's economic prosperity, generating more than 80 percent of our gross domestic product, home nine out of ten Australians and just four cities are expected to receive three quarters of future population growth.

Managing this growth and ensuring strong economic, liveability and sustainable outcomes is a key challenge of our time. Implementing the right policy choices today to support this growth in the future will ensure that existing cities can absorb this population growth without affecting Australia's high standard of living.

The Property Council notes that the Inquiry's Terms of Reference do not include any investigation of the policy choices that need to be made to support population growth in the four fastest growing capital cities. The Property Council recommends that this be considered in a future inquiry as this response will be vital to the future prosperity of our nation.

The attached document responds to the two sub-inquires on the *sustainability of existing cities* and the *growing new and transitioning regional cities and towns*.

If you require additional information, please contact Rebecca Douthwaite, Policy Manager- Housing & Planning, on 9033 1936.

Regards,

Glenn Byres
Chief of Policy and Housing



The role of the Australian Government in the development of cities

The Australian Government is uniquely positioned to provide national leadership, intergovernmental coordination and support best practice and evidence based research and policy development of cities.

Different spheres of government hold different roles and responsibilities in ensuring the productivity, sustainability and liveability of our cities. Each sphere of government must maximise the potential of our cities through a coordinated approach leveraging all available powers.

Through the Assistant Minister for Cities and Digital Innovation, the Australian Government lead the development of an Intergovernmental Agreement with the states and territories supporting:

Better data collection and research to understand our cities

Measuring and reporting success, not as a score-card but to track progress, to incentivise long term evidence based policy development is a key leadership role for the Federal government.

- Adopt transparent and consistent indicators applied across all major cities that measure economic prosperity, population growth, greenhouse gas emissions, housing diversity and supply as well as land-use and transport among others.
- Reintroduce the Housing Supply Council to ensure that the supply of new dwellings is aligned with population growth.

Evidence-based investment to drive productivity

The Australian government is uniquely positioned to leverage its balance sheet and use tied grants to deliver specific urban objectives in relation to infrastructure delivery, land use and urban planning. However, good infrastructure planning and development in Australia is inhibited by the politicisation of plans and decisions, funding and financing constraints, narrow business case analysis and inefficient procurement.

- Commission Infrastructure Australia to develop a 30-year Infrastructure Plan augmented by a National Spatial Masterplan to identify key growth areas and priorities in line with the roles and responsibilities of the Federal government and in collaboration with states and territories.
- Adopt more innovative funding and financing strategies that are coupled with governance arrangements to support infrastructure prioritisation and delivery.
- Commit to only funding projects that are supported by Infrastructure Australia's Infrastructure Priority list.
- In partnership with states and territories, the Australian government should establish effective corridor protection mechanisms for future infrastructure priorities informed by long-term strategic planning.

Planning Reform by state and territory governments

State and territory governments have primary responsibility for planning reform, but there are significant economic dividends from improving planning outcomes. The Federal government can play a significant role in encouraging reform and measuring progress against goals to improve accountability.

- Introduce national competition style reform incentive payment to encourage state and territory governments to reform their planning processes.



Sustainability Transitions in Existing Cities

Identify how the trajectories of existing cities can be directed towards a more sustainable urban form that enhances urban liveability and quality of life and reduces energy, water and resource consumption.

The built environment has the potential to make a significant contribution to the transition to zero net emissions nationally around 2050 as well as meeting other objectives including energy productivity, supporting innovation, making efficient use of infrastructure, and creating more liveable urban form:

- Our cities consume more than 60% of our energy demand (through buildings, manufacturing and transport-related activities).
- Commercial and residential buildings alone contribute 23 percent of Australia's total greenhouse gas emissions.
- The design of our cities can make a significant contribution to the health and wellbeing of Australians by encouraging active transport, liveable streets and high quality urban spaces.

Buildings account for nearly a quarter of emissions in Australia and, while Australia is moving towards a low emissions economy, we are also trying to improve productivity and enhance our quality of life. Improved energy efficiency can deliver a crowd range of powerful benefits to households and commercial building owners and occupants, as well as public economic, productivity and energy system benefits, including:

- Health and productivity improvements for tenants in commercial buildings
- Comfort and wellbeing for households, particularly low-income households, which are susceptible to fuel poverty.
- Improved resilience for building occupants, in particular resilience in the face of thermal fluctuations, and to changes in electricity prices.

The Australian Government should consider supporting increased minimum energy performance requirements overtime in the National Construction Code.

The next update is due in 2019 when stringency for energy performance will only be reviewed for commercial buildings. Minimum standards for Australia's buildings currently lag far behind best practice, and need to be updated urgently.

Additionally, a trajectory should be established for future upgrades of the energy provisions in the Code, providing a clear opportunity to catalyse innovation, investment and market transformation in the sector by providing a strong regulatory signal of the direction for future standards, and deliver higher performing buildings.

More broadly, existing cities must be directed towards a more resilient urban form, in terms of their capacity of their communities to survive, adapt and grow in the context of the shocks and stresses and acute shocks that may be experienced, including through extreme weather events and the impacts of climate change.

The Australian Built Environment Council (ASBEC) has developed a *Built Environment Adaption Framework*, which identifies where the Australian government can lead improved cities resilience through consultation, coordination, engagement and review of regulation such as:



- **Engage with industry-** Establish a National Built- Environment Adaption Council which would report directly to a Minister responsible for resilience and the built-environment.
- **Lead by example-** Set benchmarks to measure performance in implementation resilience and adaption strategies for their own operations.
- **Provide incentives-** Develop a suite of incentives to encourage early action on adaption within the built environment such as incentives to retrofit existing buildings.

Importantly, there is a significant role for the Australian government to work with state and territories to improve planning systems and outcomes to:

- Determine the appropriate coverage of climate adaption strategies within planning frameworks.
- Promote the development and implementations of nationally consistent planning principles, policies and strategies.
- Promote innovative building and precinct designs to deal with future climate conditions; and
- Integrate climate change considerations into strategic and precinct planning at the strategic planning and zoning stages, to provide certainty for the industry and community.

Considering what regulation and barriers exist that the Commonwealth could influence, and opportunities to cut red tape.

The Commonwealth government has the opportunity to provide strong leadership in developing a nationally consistent approach to residential ratings. The Australian Built Environment Council (ASBEC) notes that Australian homeowners value sustainability, but lack a credible and widely accepted rating scheme that allow them to incorporate this into their decision making.

In the absence of Commonwealth leadership, jurisdictions have begun developing tools offering ratings and performance metrics for individual elements of the sustainability performance of housing. This increases complexity, confusion and cost for industry and consumers alike.

A single framework, applied consistently across jurisdictions, will result in better sustainability outcomes and encourage continuous improvement. The framework should consist of three key elements: minimum regulatory performance standards in new buildings, benchmarks for market comparison of best practice sustainability performance and, communication messages explaining the value of sustainability features to renovators and homebuyers.

Examine the national benefits of being global 'best practice' leader in sustainable urban development.

Australia's built-environment sector is uniquely placed to become a global market leader in energy and sustainability, with buildings presenting low cost opportunities to reduce emissions and deliver almost \$20 billion in energy savings, as well as other benefits.

The *Low Carbon, High Performance* report released by the Australian Built Environment Council noted that improvements in buildings energy performance over the past decade have decoupled energy consumption from growth, and avoided \$28 billion in energy bills.

Improvements, despite an uncertain policy environment, have been driven by:

- The office sector, which has achieved a step change in energy performance.



- Increasing interest from large investors in the energy performance of their property investments has driven activity amongst market leading companies that are now recognised as international benchmarks as global leaders in sustainability.

Broader improvements have been driven by various government programs and regulations, including improved minimum energy performance standards for buildings, appliances and equipment.

However, progress has been slow outside the market leaders, with overall energy intensity only improving by two percent across the commercial sector and five percent across residential. The Australian Government must commit to effective policies that address existing barriers and accelerate actions to support global 'best practice' sustainable urban development:

- **Establish national plan towards zero carbon buildings by 2050-** This includes supporting policy frameworks, governance arrangements with interim and long-term targets, clear responsibility at Ministerial level, coordination across different spheres of government and public reporting.
- **Set strong mandatory performance standards-** Creation of strong minimum standards for buildings, equipment and appliances, and establishment of a forward trajectory for future standards.
- **Create targeted incentives and programs-** Support higher performance in the short to medium term through incentives and programs including the use of government market power and a range of financial incentives for building owners and tenants.
- **Reform the energy market-** Support the implementation of cost effective energy efficiency and distributed energy improvements by removing energy market barriers and distortions.
- **Resource appropriate energy data, information, research, and educational measures-** Enable informed consumer choice and support the innovation, commercialisation and deployment of new technologies and business models for delivery of energy efficiency and distributed energy solutions.



Growing new and transitioning regional cities and towns

- Promoting the development of regional centres, including promoting master planning of regional communities.
- Promoting private investment in regional centres and regional infrastructure.
- Promoting the competitive advantage of regional location for businesses.
- Examining the ways urbanisation can be redirected to achieve more balanced regional development.
- Identifying the infrastructure requirements for reliable and affordable transport, clean energy, water and waste in new settlement of reasonable size, located away from existing infrastructure.

Population growth is vital to a country such as Australia.

Two-thirds of Australians live in capital cities and this proportion is expected to grow to more than 70% by 2060.

However, the population of a number of major cities outside the capitals such as Newcastle, Bendigo and Geelong, the Sunshine Coast and Gold Coast is also expected to grow considerably.

Several of these cities are in peri-urban locations that are relatively close to capital cities and share many social and economic linkages vital to the future prosperity of our nation.

These cities must be supported with strong infrastructure investment and, importantly, employment growth and diversity. Failure to do so will result in an appreciating number of trips to and from the capital cities.

Further afield, the 'population case' for expanding infrastructure networks in regional areas is less obvious and driven more by social considerations (such as greater equality in the quality of service) and economic development prospects.

Yet, history has demonstrated that decentralisation policies to redirect growth and urbanisation into regional areas has had limited success.

The biggest challenge for regional cities is that they have a historically narrow economic base.

The Property Council takes no position on decentralisation policies, but notes that population growth, urbanisation and the attractiveness of regional cities is directly correlated to the economic and employment opportunities available.

This is why the Property Council has been a championing 'UK style' City Deals for more than 3 years as a means of integrating infrastructure spending, job creation and economic development into a long terms plan agreed by all levels of government.

In the United Kingdom, regional economic renewal has been driven by City Deals policy that establishes a medium-to- long term vision beyond political and economic cycles that leverages competitive advantages and expands economic opportunity.



The Australian Government's commitment to City Deals in April 2016 is strongly welcomed by the property industry. This commits the Federal government to leading the establishment of City Deals across Australia in partnership with state, territory and local governments.

The Government announced that the first three City Deals will be for Townsville, Launceston and Western Sydney.

Importantly, it has invited regional cities to nominate themselves to be considered for a City Deal where selection for a deal will be prioritised based on where the opportunities are the greatest.

This is a significant opportunity for regional cities and towns looking to promote development, investment in infrastructure and leverage their unique points of competitive advantage to attract businesses.

The Australian Government must promote this opportunity to regional cities and assist with identifying opportunities to be nominated for consideration under the City Deal process.

In preparing the nominations for regional City Deals, regional cities should focus on the following building blocks to ensure that the deal delivers to the regional cities objectives of promoting development and investment:

- 1. Define a clear economic productivity and growth objective**
The central feature of City Deal proposal should be a clear commitment to economic growth, nuanced to the needs or circumstances of regional city. This must be well defined and form the central focus of the Deal.
- 2. Commit to working with other levels of government**
Regional cities must commit to working with federal and state/ territory governments. The power of the City Deal comes when the policies and actions of each level of government are aligned. Integrated actions that reinforce a common set of objectives are most likely to be effective.
- 3. Understand the challenge**
The biggest challenge is clear defining the path to sustainably grow the economy, often without the driver of significant population growth.
- 4. Focus on the medium to long term horizon**
Any proposal must move past short term perspectives and build lasting benefits to set cities and regions on paths to sustained success. Any proposal must aim to promote a continuous cycle of economic benefits to fortify the future prospects of cities and regions- and ideally span a 15-year time horizon.
- 5. Deliver a framework for investment and action**
Regional cities should use the City Deal process as a framework for making the right choices around land-use, infrastructure, investment and policy reforms that deliver stronger regions. While the Deal will identify infrastructure needs, it must not just be a list of infrastructure projects for funding, but rather tied to broader objectives for the region.
- 6. Go beyond political and economic cycles**
Regional cities must think beyond political and economic cycles. This means the proposals must be developed from evidence-based research, and tested by consultation.



7. Consult widely

To ensure that the City Deal proposal is enduring, regional cities must consult widely with their community and stakeholders. They must understand and have ownership of the key objectives and strategies of a city deal, as well as active involvement in measuring success against targets.

Regional cities must focus on economic growth as the main objective but must be cautious of poor design or execution. As such, regional cities nominating city deals must avoid:

- A **quick headline** with no long-term plan for creating growth, jobs and improved productivity of their city.
- A **project wish list** that bears no relationship to the core objective of economic growth, project benefit or funding reality.
- A **toothless tiger** document that doesn't shape the infrastructure investment decisions of federal, state and local governments.
- **Ivory tower planning document** with little or no community or stakeholder engagement.

By focusing the attention on the City Deal nomination process, regional cities can take the first steps to promoting development, investment and the competitive advantages that their area has to offer.