



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

**HOUSE OF
REPRESENTATIVES**

STANDING COMMITTEE ON ENVIRONMENT AND HERITAGE

Reference: Sustainable cities

THURSDAY, 11 MARCH 2004

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HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON ENVIRONMENT AND HERITAGE

Thursday, 11 March 2004

Members: Mr Billson (*Chair*), Ms George (*Deputy Chair*), Mr Barresi, Mr Cobb, Mr Hunt, Mr Jenkins, Mr Kerr, Mr Lindsay, Ms Livermore and Mr McArthur.

Members in attendance: Mr Billson, Mr Barresi, Ms George, Mr Jenkins, Mr Kerr, Ms Livermore and Mr McArthur

Terms of reference for the inquiry:

To inquire into and report on:

Issues and policies related to the development of sustainable cities to the year 2025, particularly:

- The environmental and social impacts of sprawling urban development;
- The major determinants of urban settlement patterns and desirable patterns of development for the growth of Australian cities;
- A 'blueprint' for ecologically sustainable patterns of settlement, with particular reference to eco-efficiency and equity in the provision of services and infrastructure;
- Measures to reduce the environmental, social and economic costs of continuing urban expansion; and
- Mechanisms for the Commonwealth to bring about urban development reform and promote ecologically sustainable patterns of settlement.

WITNESSES

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Committee met at 11.10 a.m.**HARVEY, Ms Christine, Chief Executive Officer, Royal Australian Institute of Architects****JOHNSTON, Professor Lindsay, Chair, Royal Australian Institute of Architects National Environment Committee, Royal Australian Institute of Architects****PARKEN, Mr David, President, Royal Australian Institute of Architects**

CHAIR—I declare open this public hearing of the House of Representatives Standing Committee on Environment and Heritage's inquiry into sustainable cities 2025. This hearing is the fifth of the inquiry. I welcome the representatives of the Royal Australian Institute of Architects. The committee does not require you to give evidence under oath, but I should advise you that these hearings are formal proceedings of the parliament and warrant the same respect as proceedings of the House itself. It is customary to remind each of you that giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. Are there any introductory remarks or brief comments you would like to make?

Mr Parken—Yes, I have prepared some brief introductory remarks. The Royal Australian Institute of Architects is pleased to have the opportunity to appear before this committee. The RAI A is the peak body representing the architectural profession in Australia. This inquiry is very timely and opportune—2004 is the Year of the Built Environment. The YBE was an initiative of the RAI A presented to the Commonwealth, state and territory governments in 2002. Last year, as part of the Commonwealth budget process, the Australian government announced 2004 as the YBE. As the committee would well appreciate, the YBE affords the committee the appropriate context to produce a report which provides a realistic roadmap on how we can make our cities function more sustainably. The RAI A believes it has significant experience and understanding of sustainability issues. This is not something we have just recently embraced; it has been the focus of our work for more than a decade.

The genesis of our work on promoting a built environment based on sustainable principles was the adoption of the RAI A's environment policy in 1983. The full text of the policy is included in our submission. This policy guides our work. In 1995 the RAI A commenced the publication of its *Environment Design Guide*, which has now grown into three volumes, which I have brought with me today to impress you!

CHAIR—You have achieved that.

Mr Parken—It is a highly technical and comprehensive resource, focusing on the importance of integrated design and real project experiences. It is now published under the umbrella of the Australian Council of Building Design Professions, which represents all professions working in design.

We have not responded directly to the committee's discussion paper nor answered the questions in it. We were not trying to be unhelpful with this approach; instead, we have presented the committee with the RAI A's key issues which the committee should consider in its deliberations. These are our '39 steps'. To assist the committee, we thought we should identify six overarching barriers which Australian governments and the Australian community must

address first. Firstly, there is a lack of national vision and commitment to a progressive, environmentally responsible and energy efficient nation. This would move Australia from the bottom of the OECD league tables for greenhouse emissions, energy use, water consumption and waste production. Secondly, there is a lack of strategic planning for national and regional development that endeavours to align population growth procedures with land availability, infrastructure, employment, water and energy resources. Thirdly, there is no united or consistent vision of urban development paradigms that will move Australia away from low-density sprawl. Our housing types are unsuited to Australia's climate and lifestyles.

Fourthly, procurement of buildings and infrastructure is in the hands of the free market and entrepreneurs. These are focused on short-term profit, not on life cycle, long-term environmental and social sustainability. The end users—that is, the Australian community—are saddled with the ongoing costs of maintaining and running these inefficient buildings and infrastructure. There has been a consequential failure to invest in good urban design, good buildings and good environmental systems that can deliver pleasant, healthy and energy efficient working and living environments.

Fifthly, there is what can only be described as a regulatory swamp. This absorbs excessive negative professional energy—energy that would be better directed towards pursuing innovative solutions. We already have the design knowledge and technology to do this. The RAIA believe that the positive dynamic of the marketplace can be engaged to drive essential transformational change. Our strategy is that excessive consumption of energy and resources be penalised and innovative solutions be rewarded by factoring in the full environmental cost of the energy from non-sustainable, non-renewable sources. We would be happy to address any questions the committee might have about the RAIA's submission and our views.

CHAIR—Your technical competence is recognised, and the three volumes are evidence of that. How do you make sustainability sexy? We can do all these things and they are all within our grasp, yet we are still building houses that perform poorly against all the things that we say we value and are virtuous. How does an architect make sustainability sexy to their clients?

Mr Parken—There is no rival in this situation. I think it starts with education, and that is really something that can begin very early, particularly in schools. It is about the community understanding what the issues are and then understanding who is best placed to help them in solving some of these quite pragmatic problems. Good design can make a difference, and that is probably one of the starting places. To make sustainability sexy you need to award it and you need to hold out best practice. The Institute of Architects do that through our environmental awards. We have both state and national awards, which celebrate excellence in this area, so that we actually have something that we can hold out and say, 'That is a good project; that is a good result.'

In terms of the industry, I think innovation has to be rewarded by incentives. I would like to suggest that there be an innovation fund where projects compete for additional resources to implement innovative solutions. This is a new area of knowledge and unfortunately the construction industry is traditionally risk averse. People in the industry are not prepared to take risks, therefore they are looking for solutions that have been proven by the test of time. So we have a mismatch there between innovation being truly supported and an industry which is quite risk averse and wants guaranteed returns since it is putting up the money. In Australia now 98

per cent of our built environment is delivered by the private sector. There needs to be support and rewards, but there also needs to be the stick, and we have to eliminate bad practice. Clearly we can only do that through some regulation. But I think there needs to be some leadership and a strategic vision so that we look at what is happening internationally and we all sign on as a nation.

CHAIR—Our aim is to kick that along. We are trying to shape the blueprint that says: ‘Better performance is possible.’ It is already happening. It is spotty around the country, but there are people showing the way. You would have greater celebration of those success stories and encouragement for more to complement the work your profession is doing.

Mr Parken—Absolutely. Our environmental design guide actually tests and provides as a resource some projects and approaches. It is a resource base and it is growing. It started off obviously as one volume. It has now got over 160 individual papers plus 33 case studies in it. One approach in terms of education is gathering that knowledge together but, yes, you do need to celebrate and make it sexy too. It has to be mainstream. Unfortunately, some people perceive environmentally friendly as looking like something out of the hippie era.

CHAIR—Hydroponic bok choy.

Ms GEORGE—Don’t you come up against market constraints? For example, in my electorate where there is a lot of new housing development going on, mainly project development, none of the issues of sustainability are factored into the huge construction demand that is out there. The average family think that to have an architect designed home that builds in sustainability factors is going to add thousands of dollars to the project. What kinds of levers do we have at the micro level to try to get these best practice ideas actually picked up by the major project developers?

Prof. Johnston—The existence of this inquiry and many things that are going on at the moment are grounds for optimism. There is tremendous change going on and every day when you pick the paper up you can read about it. Even today’s *Canberra Times* contains issues about population, solar ponds and rainfall patterns—things to do with the environment. Public opinion is changing. I actually think the opinion of young people—kids at school and at university—has already turned. The barriers are largely in the mind-set of the voting population, who are the home buyers. I think the media are doing quite a good job. The *Sydney Morning Herald* last week had a supplement on eco-strategies. Gradually mind-sets are changing. I think that it needs both national and state leadership.

Water has been an issue in the ACT, Sydney and elsewhere. The public will buy into this and there are now absolutely convincing arguments that collecting, storing and using water on site is win-win in every way because you do not have infrastructure, you save costs et cetera. There are all those initiatives. We have an abundance of sunshine. We have written most of this in our detailed submission, so we do not need to go over it again. One has to start to look at a situation where the cost of energy and the cost of water are built into the total cost. We know, and you know, that energy costs in Australia are really only paying for the cost of extraction and getting it to the consumer. Once energy costs become high, which they must to make people economise on the use of energy, you will get paradigm shifts. So you need positive incentives as well as negative incentives to allow people to do these things.

In Victoria I understand the state government have introduced an initiative they are trialling for commercial developments where they are giving financial support to developers to engage good design teams and put in place green strategies in their proposed developments. We talk about these sorts of carrots and sticks in our submission. We are more negative about the negatives and more positive about the positives. We do not think regulation is really the solution. Regulation just assures the elimination of worst practice. We need positive incentives such as the green star rating system for commercial buildings that puts measurables before the public that allow people to perceive the benefits of an efficient building. Just as on energy bills, the public need to be familiar with their greenhouse gas emissions per capita—

CHAIR—That was our last committee recommendation.

Prof. Johnston—They do not know: are they good or bad citizens? They need measurables printed on their bills that say, ‘You are emitting X tonnes of carbon per capita per annum. You are in the lowest 10 per cent of society or the top 10 per cent of society.’

CHAIR—You look at the recycling experience and examples like that—even Clean Up Australia Day—where regular folks are encouraged to get involved in something that is positive and does not turn their living standards upside down. There is a great appetite. Are we not collectively leading people by showing them how an individual can change a behaviour in a small way but it would make a substantial contribution if others did it?

Mr Parken—A lot could be done there. The project home area is probably one of the key failures in Australia at the moment. It amazes me. I was in Townsville recently to see a new subdivision and the local council said, ‘Here is our new subdivision. Isn’t it great? We are growing. We’ve got all of this stuff.’ I looked at it and said, ‘Hang on! All of these houses are all single storey—

CHAIR—Slabs.

Mr Parken—all masonry with airconditioners, with no overhangs, no orientation and no outdoor space.’ Yet traditional Queensland houses were two storeys that allowed the breezes to flow through and were very low weight constructions so they reacted very quickly to the local environment. This whole community—and it could be a subdivision in Melbourne or South Australia—is going to be penalised for the rest of those buildings’ existence with high energy bills. It is a failure, and those sorts of things should be highlighted and discussed. Only recently has it become standard to insulate brick veneer housing. It is a crime against society to burden the long-term owners.

In South Australia the energy costs, as you know, went up 28 per cent last year. The community was screaming, ‘How could this happen?’ It really bit. People were having to learn to turn their airconditioners off, because they were getting power bills that they simply could not afford. You are right—it is expensive for an architect to design every individual house. There needs to be more cooperation. The knowledge is there. There needs to be more of a meeting of the minds, and that is why I talk about some form of encouragement, not just regulatory mandated penalties or eliminating worst standards.

CHAIR—Someone must have designed the houses. There has been a decision process involving at least three professions on the way through. It then gets to a local council where you would think they would have half a clue. Is your organisation giving continuing professional development to make sure your members are aware of not only where those volumes might be in their office but how to apply them? Should that knowledge be extended to, say, local councils, building surveyors and town planners? When someone comes to them with a five-star design, they go to the top of the hit parade in terms of processing development approvals and they can say, 'If you are going to give us a crummy, off the shelf, no-brainer not terribly clever thing, you can take your spot in the queue.' Are reduced holding costs, faster processing and spreading the knowledge things that need work?

Mr Parken—We have a professional development program and are obviously getting significant resources together for our members. It is available to our members on the web and is quite efficient. There is also the issue of market pressure. You are quite right about the no-brainers. A lot of what I will call individual detached housing stock is designed by a computer and replicated with no regard to the environment, its site, its location.

CHAIR—No performance assessment of how it would function.

Mr Parken—Correct.

Prof. Johnston—There are 500 new dwellings completed every working day in Australia. That is scary stuff. Ninety-eight per cent of those are delivered by the private sector and most are designed by non-architects. Architects have had very little penetration in the individual home market.

CHAIR—These are the house and land package deals.

Prof. Johnston—It is interesting that in New South Wales Bob Carr brought in this mandate that required real architects to design apartment developments over three storeys. That has shown tremendous benefit already, and I was on the awards jury in New South Wales last year. You are seeing really super apartment developments appearing in central Sydney now that are responsive to place and climate—with big outdoor decks and cross ventilation. They use very clever strategies and are very beautiful buildings. There is a sector of the population, which you could say are the upper yuppie bracket, who are buying into this good design. It is interesting that at the launch of the Year of the Built Environment at Kogarah Town Square Bob Carr targeted the individual dwelling as the next area that needs serious attention. The great sprawling suburbs of brick veneer houses with dark tiled roofs and no roof ventilation are, as we say in our submission, all fundamentally unsuited to the climate and to the lifestyle. They are European, internalised, modular little box models that do not really take advantage of this place. These are big issues—you are trying to turn a very big dynamic around.

CHAIR—So the momentum is heading one way.

Prof. Johnston—Yes, I think the problem for us as a profession—and one may say that this is us being precious—is that we know that the knowledge is there and the technology is there to solve the problem. The problem is that we are not being asked. My perception is that that is because the whole of the housing dynamic is driven by private developers who want to build

quickly—they want to get in and then get out—and who want maximum density housing. They do not care about running costs. They are not particularly interested in the quality of the lifestyle within the dwelling. The buying public have a paradigm being sold to them which is what has been called McMansions.

There is the idea that not having overhanging eaves is good because you can pack houses closer together, but that is fundamentally unsuited to the Australian environment. People like exposed brick walls to the outside because it is brick, but that is unsuited to the climate. I have to say that tiled roofs are not a good strategy. So we know the answers as a profession, and it has been very well documented, but the problem is that we are not sufficiently engaged. One can say that is because we cannot deliver the answers, but I think that that argument has gone on too long. I think we can deliver the answers. The problem is that private developers do not want to take the trouble. Therefore one has to set up incentives to overcome these problems.

I am much more optimistic about the commercial side of the industry where there are super exemplary, innovative, energy efficient green buildings coming into the market. The investors, the institutions and the property owners are seeing the long-term positives of investment in good design within a life cycle context. I think that that sector is going to solve its own problems much quicker. I write case studies for journals on environmentally responsive projects, and it is interesting to note that in the non-residential sector up to now many of the exemplary projects are government owned or university projects where the owners and the developers have a long-term interest in the running costs and the wellbeing of the occupants. So we need to bring that type of mind-set change through to the residential sector. It is now occurring in inner city apartment developments, but it is not occurring in many of the 500 houses being built each day.

CHAIR—I would like to come back to that later.

Ms LIVERMORE—I have a question about the part of your submission that talks about retro-fitting, and I suppose it relates to what we have just been talking about. We have this building stock sitting there and we are slowly trying to go in a different direction for the future. What do we do with the stuff that is already there? From your experience, are there any particular barriers to investors or construction companies getting involved in retro-fitting and upgrading the building stock that is already there? Are there any incentives that you could suggest to increase that practice?

Prof. Johnston—There is no doubt that the building stock in the country that exists already far exceeds that which will be built annually. Therefore, retro-fitting existing buildings—step 16 in our submission—is a serious issue. That is where there are huge energy and water savings that can be made. I guess that there is no particular focus on either rewarding or penalising the owners of existing buildings to get them to effect these changes. This brings you back to whether the market and the cost of resources like water and electricity are the things that have to be used to drive change. It has been found extremely difficult to regulate for new buildings. NatHERS—and the whole business of trying to regulate the design of energy in house design—has not been successful. It only addresses the heating and cooling costs; it does not address the total cost. Regulation for existing buildings is even more difficult. Therefore, one has to find another way to put the lubrication on the transformation. Again, if energy and water costs are high, there may have to be some kind of grants for retro-fitting that make it attractive to people to do that.

Mr BARRESI—I go back to what you were saying before when you were decrying the fact that a lot of the private developers are not calling on the advice of architects or having their homes built with an architect's input. The fact is a lot of these house and land packages are responding to the demand from the consumer as well. They are driven by demand, and there is a cost consideration involved there. That is one of the barriers of having architects' input that you must overcome.

Some of these places—and I do not want to mention specific names of these large builders—have set plans and you just choose from a plan. They have various rating systems on energy use and environmental compatibility which go with it. The very place where I live in Melbourne is a residential complex. Unlike the retro-fitting that you just spoke about, the situation with my complex is happening all over cities. You have parcels of land where all of a sudden you now find medium- to high-density homes going in. Where I live used to be a high school. Now there are 300 homes. It is a complex in itself. You drive five kilometres per hour on brick paved roads and the homes are all up against each other. Maybe there is a way of saying to developers that it is too expensive to go all the way through in terms of current stock, but in these new areas maybe we can have a mandate requiring a proportion of the 300 homes to fit the architects' institute criteria as a way of trying to encourage it.

Mr Parken—We certainly do not want to develop an 'us and them' mentality. Basically, you are right. Cost is a big factor in the project home market. Unfortunately, you are right. The market is demanding larger homes. Statistics show that, over the last 20 years, the average occupancy of our detached dwelling stock in Australia has dropped from just over three persons per dwelling to now just under two persons per dwelling. Yet at the same time—

Ms GEORGE—I do not know what they do with the 30-square homes.

Mr Parken—Exactly. At the same time, the average size of a new home has gone up. It varies from state to state, but on average it is about 40 per cent. So again you have this divergence: a lower occupancy rate and a larger area. Just that statistic alone is not sustainable. I think a lot of people think that, as soon as you are talking about architects, you are talking about style. We are trying to say that it is not just about what the thing looks like; it is about the knowledge and the application of knowledge in the design of buildings. Our members, or architects as a profession, have done five years of study and then two or three years of work training before they can actually become registered as an architect, call themselves an architect and hold themselves out as having those skills, but you have a whole sector of the industry that is not availing itself of that. We need to bring that together. It is not about just designing the individual homes; it is about designing a kit of apartments, designing different standards or designing—

CHAIR—To pick up Phil's point, it seems there is scope even in residential zoning to say: 'The default zoning for an area is 850 square metre blocks but if you come to us—the local planning authority—with an integrated proposal of best practice design, triple plumbing, solar efficiency, issues around passive space and active transport connections and all of that we may consider upping the lot yield. We may drop the plot ratio from 68 or whatever it is now for a footprint for a residence and actually put an incentive there for people to come back.' The authority could say: 'If you are driven purely by an economic lever, you can get better outcomes if you come to talk to us about a better proposal; otherwise you will default back to a lower

yield.' Does that happen? Do you integrate your work with the civil engineers, the town planners and everyone who has a finger in the pie to do that?

Mr Parken—We certainly integrate our work. One of the key papers in the environmental design guide talks about the integration of design, the design team and all the key stakeholders, because in the industry there are too many silo based mentalities of people protecting their own patch. Integrated design is definitely important and a key way of going forward. But basically the market will always find a place where it is just a bit easier to do something. What you are talking about is actually quite hard to do. It is hard to do when you have a government client doing a new school, where they have put it out there that they want it to be an ESD groundbreaking project. It is still quite challenging for a developer to come in and say, 'I'm going to do the best design. I'm going to do this and increase my yield,' and so on. It is actually quite complex, and the experience or the knowledge base of those types of positive outcomes is not there yet. There are individual pockets. I agree with Lindsay that in the commercial sector things have turned much more quickly, because when you look at who owns the property in the commercial sector you have very large interests—very large property trusts—that can see to the future. They know that the commercial leasing market briefs are changing.

CHAIR—I guess the tenants are interested in operating costs and—

Prof. Johnston—Could I just interject on that point. If you think about the public buying cars, they are pretty well informed not just on price but on performance, reliability and depreciation of a vehicle, but you never see them thinking about those things when they buy a house. The information is not available. It is only the capital cost per square metre of the building. We could introduce a situation, if you can imagine it, where houses are road-tested in the magazines and they look at the overheating living room, at how much your airconditioning costs are going to be and at your lifestyle chances—is it comfortable; does it have a nice dashboard?—and all of these things that are not actually penetrating in the housing market. It is a big problem to turn that around. I do not know what the quick fix to it is. It is about public perception and education. It is about all of the things that we have mentioned.

Mr BARRESI—Just using the analogy of a car, one of the key criteria a person can use when they go to buy a car is fuel consumption.

Prof. Johnston—Exactly.

Mr BARRESI—You can see that; it is so visible. You could very well have a similar concept with a house. We have got all these different energy rating systems but, rather than have a code A, B, C or whatever it may be which means absolutely nothing, you could quantify it. For instance, over a 20-year period it could state what your electricity savings would be based on a particular rating. It would state what your gas savings would be. The other things—space, the aspect of the place and the landscaping—are all very much personal issues and I do not think that you would ever come up with a model that is going to satisfy every consumer. But a ratings system that has a dollar component to it in terms of savings may focus a person on specifics. You might say to the builder who has only employed a draughtsman, 'You give me a house with the rating that the house down the road has got.'

Mr Parken—It is like a check list. There is no doubt that in terms of what it is per square metre that would be a very good measure. That is the sort of measure that we use in the commercial sector and it could easily be applied to the residential sector. To give you an idea, a project home might be 27 or 28 watts per square metre and an architect designed home might be 21 watts. But a leading-edge environmental ESD, fully integrated with solar, wind and its own energy creation on site might be two watts per square metre. As we have said, these things exist but it is about getting it into the mainstream. I like your analogy that the momentum is off in this direction and we are actually trying to go almost 180 degrees in the other direction. It is a really big challenge.

Prof. Johnston—Some radical changes will perhaps have to take place. I think we have suggested in the submission things like greenhouse gas emissions per capita determining your domestic rates and, for the road tax on vehicles, greenhouse gas emissions per annum determining your vehicle tax, which immediately penalises big inefficient vehicles that are driving long distances. Once that whole framework were established, it would certainly be unpopular and very difficult for politicians to sell to the electorate but, unfortunately, that is the type of framework that needs to gradually be brought in to get public—

CHAIR—We have created a new social problem, Lindsay, according to the renewable energy sector. They told us earlier in the week that families now with reverse metering are sitting outside watching the metre, saying, ‘Don’t turn that light on; the metre is spinning the wrong way.’ The new reality entertainment is to see how they can mess with their PV roof and offset that against somebody who has just turned the light on in the other room, so they think they had better turn the TV off. It is quite amusing.

Mr BARRESI—On that energy question, in 4.17 on page 8 you say:

The Australian energy supply industry is in large part electricity sourced from coal burning non-renewable polluting power stations ...

That is a fact. It goes on:

Thus power is priced at levels that do not reflect its true cost to present and future generations, thus encouraging irresponsible wastage ...

What are you suggesting there? I know that you are saying that we should be moving to more renewable energies but, if we are currently using power that is priced at a certain price, are you suggesting that perhaps non-renewable energy should be priced higher?

Prof. Johnston—Yes, absolutely. It would probably be unpopular and impossible to sell to the electorate, but that is the reality.

Mr BARRESI—You do not get elected, do you?

Prof. Johnston—The skill of politicians is to think of a way of doing this without actually telling the public that that is what is happening.

Mr BARRESI—I think that it is easier for a state MP to say, ‘We will give you a rebate on going to renewable energies,’ rather than, ‘We will give you a price hike on non-renewables.’

Prof. Johnston—Yes.

CHAIR—Research that has been presented to us is that 80 per cent of people want to do the right thing. They articulate the aspiration of being environmentally virtuous but it is six per cent or seven per cent that actually do it. There is a gap there, and for green energy it is just too bloody hard with some of the energy suppliers. They make it as hard as—

Prof. Johnston—It is too expensive because the old traditional coal-burning energy is too cheap. The question is: are we looking at the long term and carbon tax? If you start thinking—

CHAIR—You are on a roll here, Lindsay.

Prof. Johnston—It is all written down.

Mr JENKINS—I think it is all written down. I thought that the 39 tangible issues set us a good challenge. I think, on my perusal of them, they cover most of the things that we would have wanted to cover throughout the inquiry. It is a pity that we do not have enough time to go through them all. I am satisfied that my colleagues have discussed the operation of the market, as I would want it to be. We have seen that demand has led to building regulations and planning regulations that have left us in the bit position that we are in. The inclusion of the contemporary issue of security is not something I had thought of beforehand. I have a question on population. I personally accept that that is a matter that a federal government can have a go at. Do you have any ideas how we might flesh it out and what things we should pursue?

Prof. Johnston—I do not think the fantastic report *Future dilemmas* that was prepared by CSIRO, which was commissioned by Minister Ruddock’s department, has been fully examined to the extent it should have been. It was a fair effort in looking at the implications of three different population scenarios. There is even an article in today’s *Canberra Times* calling for the need for a national policy on population. You cannot rely on population growth as a primary driver of the economy. On the one hand, Australia has to share its responsibility for world population growth and grow to some extent, but you must try to look at how you balance growth with the reality of what the country can support. The CSIRO report looked at three scenarios in depth—it may have been criticised—and it was the first time I had seen a reasonable effort made to look at this issue. My own personal feeling is that you have to look at the long-term implications up to 2050. You cannot keep going without changing any of the paradigms for urban development. The figures coming out with respect to demand for land, the destruction of natural habitats, bushfires, bush interfaces and water demand are quite alarming. Somebody has to look at this issue and begin to define some limits.

Mr JENKINS—The other issue is human capital and social interconnectedness. One thing that we have not explored so far in this inquiry is the use of information technology to enhance that. We have urban settings and housing in a traditional sense and we are on the verge of wiring communities and things like that. But I wonder whether that is at the margin that can give us an economic advantage as well and that, by doing it sensibly, we can have better relationships

between communities not only by physical interconnectedness but also over the information super highways.

Mr Parken—I think you are right. There is an amazing difference in the way Australians indulge themselves in gadgets and new technologies when it comes to computers, mobile phones, walkmans and things like that, compared to their approach to the built environment. It is almost as though there is a complete lack of confidence or a lack of knowledge of what is an appropriate built environment. They reach back to the past to what they grew up in—the type of home or the type of urban setting that they remember as a child rather than looking to the future with confidence in terms of how technology can change the physical environment that they are in. Their lives are an interesting challenge. Again, it is about education; it is about discussing the issues; and it is about celebrating success as well and—I hate the words ‘best practice’—exemplary performance, holding that out so that there is a way forward. Technology, particularly in relation to knowledge, is affecting all of us and ultimately it will affect the urban fabric and the built environment, but it is happening slowly.

That is why I think having leadership and vision in these areas is really important—having the debate, having the discussion and then agreeing on the direction that we move in. At the moment in Australia we are so inefficient because we are just replicating at the local government level, the state government level and the federal government level. Everyone is trying to do the dance. A little bit more coordination and cooperation, then agreeing on the direction and having a vision in these areas is definitely required.

CHAIR—What if it were put to you that sprawl itself is not bad but sprawl that is just urban is bad and that the great sustainability challenge that we have is to bring more closely into proximity to each other the various aspects of our lives? Take Canberra, for instance. It has a vibrant economy, places to live, places to use for recreation, places to get an education and cultural attractions. If you go to my city, some of those things are an hour and a half away by car. So maybe the sprawl that is just homogenously urban is the problem. It may be the lack of those other crucial factors in people’s lives and the disconnectedness of them that is the real villain in all this.

Mr Parken—There is no doubt that transport is a big player in terms of energy and greenhouse gas and all of that. If you can reduce the dependence on cars by having more integrated communities where people have their work, rest and play all within one kilometre or three kilometres of their house, that is definitely a model.

CHAIR—Proximity.

Mr Parken—Yes. But I think the big challenge for Australia is how to put in place infrastructure in our regional communities. There is evidence of some of them doing that well and regenerating themselves quite well, but they just do not get the leg-up that the capitals have got. There is so much pressure on our capital cities and there does not seem to be a strategy to give the regional places a chance. Take Newcastle, for example. If there was a fast train between Newcastle and Sydney it would be fantastic. It would be an economical way of moving people. You could have the best of both worlds. But we seem to be totally dominated by the freeway and the car. I think roads and road tolls are probably the biggest growth industry in Australia at the moment, which is a tragedy.

CHAIR—Ms Harvey, you are invited to say anything about anything.

Ms Harvey—No, that is fine. I have been carefully listening.

CHAIR—We may need to call you again because there is so much in your submission that we have not been able to discuss today. We will see how we might handle that.

Ms Harvey—We would be happy to do that, Chair.

CHAIR—A lot of your comments are outside the building envelope. That multidisciplinary aspect that you are advocating might be a good model for us to have a conversation about with some of your colleagues in other professions. But thank you for your time. To the Property Council of Australia, as fond as we are of you, we have been paged to another place. There is a division in the House. We will be back, as Arnie Schwarzenegger said.

Proceedings suspended from 11.58 a.m. to 12.15 p.m.

VERWER, Mr Peter John, Chief Executive, Property Council of Australia

CHAIR—Welcome. Although the committee does not require you to give evidence under oath, I advise you that these hearings are formal proceedings of the parliament and consequently they warrant the same respect as proceedings of the parliament itself. It is customary to remind witnesses that giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. I now invite you to make an opening statement or some introductory remarks.

Mr Verwer—As you probably know, the Property Council represent property investors—the dark side of the force. We have traditionally focused on the non-residential sector—commercial, office, hotel, industrial, shopping centres et cetera and also infrastructure such as roads—but we have now pretty firmly moved into the residential area as well. I noticed from the previous discussion that that is an area of some concern.

We have addressed the terms of reference in their broadest sense. We are not just dealing with environment and eco-efficiency, as important as they are. Our fundamental thesis is that to properly deal with environmental issues one needs to look at them in the broader context of public policy making for our cities—for the great urban areas—and that is the presentation I would like to give you this morning. We are really talking about sustainable community building.

A PowerPoint presentation was then given—

Mr Verwer—The good thing about talking about cities and sustainability is that there is a lot of momentum on this issue globally. There is the urban renaissance program in the UK arising out of the task force there. The program is led by Lord Richard Rogers—and I have asked him to come out later this year. He is the guy who convinced Blair, Brown and Prescott to spend \$1 billion. Here is a recognition from a major Western country that cities are important. A key component of that is environmental issues, but they have linked together public policy making, funding and implementation.

Just before Christmas the new Prime Minister of Canada said that cities are so important to Canada—and to his re-election prospects—that he was creating a minister for cities, and that that would be him, and a parliamentary secretary. They have set up an entity to deal with cities, and that includes environmental components. So this is quite promising. On 3 June we will have the ministerial summit in Australia for the first time, where the ministers will be getting together to talk about cities. All of these things are heading in the right direction. And, of course, as the previous witnesses, respondents and submitters have said, there is the Year of the Built Environment.

As I mentioned before, our approach to this issue is in the broadest possible context. We see sustainable communities as those communities that are maximising four key community assets. You would be familiar with triple bottom line. Representing property owners, we of course want to keep expanding things, so three is not enough for us; four is what we go for. As we see it, there are four major community assets which are the key to sustainable communities. You would

be familiar with the economic side—jobs, investment et cetera; the social side, which really translates into quality of life; and the environmental side, which we have summarised fairly clearly as a smaller ecological footprint—we see the environment mainly as an eco-efficiency equation. And then there is governance. We see governance as a community asset which a sustainable community will maximise. That is because it not only improves the democratic asset in society—and this is crucial to our argument—but when you have the right sorts of governance structures within a community it means that in a more sophisticated and complicated society the interplay between the private sector and the public sector, which is more complicated these days, can operate more effectively. I will come back to that, because it really is at the heart of what we are talking about.

We are proposing producing more sustainable community dividends—it is all about planning. The major deficit we have, which is highlighted in the two Allen Consulting reports we have provided and goes to the heart of the issues that you are talking about, is how do you have urban policies in Australia and how do you fund them? I do not plan to address those questions because they are huge topics. This is where we have gone to after that. We are talking about better planning systems. Planning is not departments of urban and regional development, five-year plans and that sort of stuff, even though they may well have had their place; planning is something much broader and there are more sophisticated tools to planning these days. It is investing in and managing those four assets that we talked about before. This might sound a bit airy-fairy at the moment, but I will get to the point.

The Property Council model, as I have rather pretentiously called this, is about linking key stakeholders. It is fairly straightforward. The goal is to do what is not being done at the moment: to join up public policy making at the different spheres of government and create a much closer and more efficient nexus between policy making and implementation. You might say, ‘How come we have such a successful country when everything seems to be botched up?’ The answer is that it is very successful. Imagine how much more prosperity could be created if we get public policy making more integrated and there is a greater nexus between policy making and implementation, which is what modern Western countries have been experimenting with for the last 20 years.

I turn to the Property Council model. There are various approaches that we could put forward for sustainable communities, including the environmental component. You can have top down, overarching, urban, regional and rural plans linked together—there is a sort of cargo cultism in that. Whenever we have looked at what one of these plans would actually look like, we can never really talk about it—no doubt, the secretariat to this committee has to grapple with that problem too. Then there are bottom up approaches: the European subsidiarity principle—for instance, making decisions at the most effective local level. How does that work? In this country, we have already experimented with several models. The Roads to Recovery program is a very good model recently topped up and there is the National Action Plan for Salinity and Water Quality. Does that provide a model here? It is a contract at the federal level that feeds money down on the basis of plans which are worked out to suit the local circumstances of a community or region. Of course there is the infamous competition policy, which is also a model.

Our approach is this: people used to talk about economic plans; we talk about community plans. In our view there needs to be community plans across the country. One of the insights of the Allen Consulting report is that Australia is a mosaic of regions. It just so happens that most

of those regions are in urban areas. At the moment we do not have an approach to strategic planning where you develop economic growth plans, social plans and environmental plans for each one of those regions. We believe there needs to be these plans. They need to be connected up. What is a region? It needs to be defined by those who understand that situation. But whatever the region is, it is not a local council; it is something broader, and community plans for regions need to take account of other plans. That ties into existing agency plans, which is one of the problems. You have the health department, the education department and the transport department and there is no spatial context to any of that. We see a community plan as being growth strategies, generally, that are tied together in strategic plans.

This is the spatial element. There is no public policy decision that does not have a spatial element in our view, but the system is not designed to ensure that the spatial implications—transport being the most obvious one—are taken into account when a decision is made whether that be for a new master planned community, hospital, defence establishment, school, aged care facility or whatever. At the moment the system is not designed to take the spatial implications into account. In the UK, as part of their urban renaissance program, there is a cabinet subcommittee which was specifically set up to look at every single Blair government policy and the environmental and spatial implications of them. That is how seriously they take this issue.

This is the hierarchy that we see as important: the urban plans, the statutory planning instruments, the local development assessment stuff and the governance mechanisms. What links that together is infrastructure. We are looking for a model which sees community plans—everything that voters want and that you decide they should get—and the spatial plans linked together by the infrastructure plans, which is land, buildings and places. That provides the key link between the spatial and general public policy and then you have what we call here the fiscal lock in. Unless there are dollars attached to all of those components, it is not serious. That is our broad thinking, and it is probably just commonsense.

Our actual policy proposals are fivefold. The first one might seem strange to you—and I do not want to give you a lecture on the language of planning and all the rest of it—but, given that this is such an important issue and everybody approaches this discourse in certain ways, I thought I might just inform you about our thinking there. We have five big proposals. They relate to: the language, strategic planning, governance, funding and regulation. I will just quickly go through those. There is a hierarchy to planning. The key thing is that there is the outcomes side, which is all about political leadership and public policy, and then there is the implementation, which, in our view, should be completely separate. This is called the separation of powers doctrine at the federal and state level. One of the things I will mention later is that it also has to apply at the local level and to statutory authorities, which it does not at the moment.

Our recommendations—and I am not sure that I get up to the magnificent 39 or so of the Royal Australian Institute of Architects—are big-picture recommendations. There need to be plans for all the regions in Australia which deal with economic, environmental and social issues and they have to have a spatial component. There should be national and state and territory infrastructure priorities, and these need to be tied together by the relevant statutory planning instruments. We are seeing a lot of reform there at the moment—South Australia being the most recent example where they have a sustainable development bill, which specifically tries to do this.

We put it to you that there needs to be a responsible Council of Australian Governments vehicle, because an intergovernmental approach is required to solve Australia-wide problems. Whether it is a ministerial infrastructure and planning council does not matter. It needs to be something with buy-in from the states and territories, and, of course, local government sits on COAG as well.

So, from a strategic point of view, we are proposing something quite radical here—that there should be plans. It is a tricky one. We put several of the Allen Consulting Group's children through very expensive private schools to come up with that conclusion.

Ms GEORGE—Who ticks off on the regional plan?

Mr Verwer—I am going to get to that. It all comes down to money in the end.

Ms GEORGE—And whoever speaks for the region.

Mr Verwer—Yes. In regard to governance, there was an excellent House of Representatives unanimous report on cost shifting released last year, which you are no doubt familiar with. That really got right to the nub of one of the most fundamental issues in this country, which goes back to what we are talking about today: how you ferment change in human settlement and the way scarce resources are used, not just environmental resources—important as they are.

Our proposal is that there should be an intergovernmental compact on public governance where responsibilities in a 21st century post-industrial society are linked to accountability and funding. That does not exist at the moment. We are not talking about changing the relationship between the Australian, the state and territory and the local governments or changing their existence; we are talking about getting a new agreement about who does what. It is that simple. Of course, it will not be simple to get.

We certainly think that there should be cabinet subcommittees for sustainable communities in every state and territory in the country and at the federal level and resourced by parliamentary secretaries just to show it is important. We put it to you that it is absolutely essential. I was saying to the Institute of Architects people that everything they have proposed—virtually all of which we agree with—will come a cropper unless you have local government development assessment systems working properly—and they do not. There needs to be a separation of roles there whereby policy making is separated from judgment. That separation of roles, which is inherent in the Westminster system, needs to be applied across the board.

There need to be guidelines for local government boundary reform, but I will not go into that in detail. Statutory authorities have to come up to speed as well because a lot of the problem that we have at the moment stems from the fact that these things—energy, water and whatever—used to be under the control of government and now they are not. I think it is a good thing that they are not, but in many ways that control and accountability are not there.

Who gets to decide on funding? Firstly, there should be a pot of money to deal with these issues. Where does the money come from? For the past 20 years governments have shied away from using the most obvious source of efficient capital—that is, government borrowings. You have an entire Allen Consulting Group report on this. There is a huge amount of empirical

evidence in there that shows that they are the most efficient means of raising dollars, especially now that we have extremely sophisticated capital markets. We did not have these capital markets when we built the Snowy scheme but we still raised a lot of money. Now we can do it even better and, as the Allen Consulting Group report showed, it can be done without sacrificing the AAA credit ratings of the various jurisdictions.

That is what we call a pot of money raised on a rational basis. I mentioned before that the Roads to Recovery program and the National Action Plan for Salinity and Water Quality are the models here. That money is used to go to qualifying projects, not councils but regions or states themselves. How do they qualify? They qualify because they have an eligible community plan. I am just calling it a community plan. That plan deals with economic, social and environmental issues and it is underpinned by a spatial plan—that is, they understand the implications of the other three, transport and whatever—and it has a capital works budget. Who decides? We have left it open as either a subcommittee of COAG or the federal government deciding. The easiest approach is the federal government.

Ms GEORGE—Who decides who speaks for the community? You might have 10 different community plans.

Mr Verwer—That is a huge issue. Local governments are set up to reflect the views of councils. I think these community plans should be put together by local councils getting together into natural groups, whether they are based on catchment areas or whatever, to write the plan, submit it and get the money. There needs to be reform of the Commonwealth Grants Commission, which is a broken-down, slapdash organisation, and you can quote me on that. There are only three people who understand the Grants Commission methodology and from what I can work out none of them work for the Grants Commission. Certainly, we do not understand it; it is not transparent and it encourages states and territories to make their taxes more inefficient. Anyway, that is a different hobbyhorse. You would all be familiar with the proposed reforms to division 16D and section 51AD of the act which are about state governments and instrumentalities being able to raise money. That is also important. There is also reform of property taxes, which I will not bore you with.

The fifth area is regulation. This is where we build in a lot of the specifics of environmental issues that the institute talked about and which I am happy to answer any questions about. Australia is a country of 20 million people. The European Union seem to be harmonising all their rules. They are getting it right and they are getting it wrong but, for the most part, they are getting it right. I am not talking about uniformity across states and territories; I am talking about harmonisation on value driven, principle based, public policy making. We should do that here as well because the current system just confuses people.

One of the reasons you have problems with environmental controls is that every state and territory is coming up with different things. You have a spectacularly good system in New South Wales called BASIX, an eco-efficiency tool for the residential sector, you have a five-star rating system in Victoria and you have something else being developed in Western Australia. This is just crazy. We are not serious if that is the approach we are going to take. So harmonisation is what we are talking about.

We have a Productivity Commission inquiry into the all-important Australian Building Codes Board. That is a very big part of dealing with environmental issues and regulation issues in Australia. Granted, most of what they deal with is eye-glazing material when you look at it in detail but it goes to the heart of the underpinning of safety and amenity in this country in terms of the built assets.

I was also going to talk today about—and I had another slot for it but I, very generously, gave it to the Royal Australian Institute of Architects—the Development Assessment Forum. That is an agenda in its own right, but you can be assured that all the states and territories, all the planning professions and all local governments have got together and are looking at a better way of doing development assessment in this country. It might be boring, but it goes to the heart of everything because ultimately any impact on the built environment has to be approved by somebody on certain criteria. How is that done? DAF has a way forward. I should declare that I am the chairman of DAF—independent, of course. There is a lot in that.

I thought it would be helpful to give you a flavour of where we had gone after the Allen Consulting report materials—which, being Allen's, are very detailed, very good and very process driven. There is a lot of work on principles there. Their second report on how you fund all of this, which is really a paean for the revival of bond schemes, is also very persuasive in our view. I am happy to answer any questions on that. There are lots of barriers. I would like to finish and to open up to questions by saying that we are continuing our thinking on how the Allen's work and all the other work we have done around the country translates into easily communicated public policy solutions that you and your colleagues in the states, territories and local government can consider. We recognise the massive complexity of this issue and we are determined to communicate our final models and solutions to you in a public policy language that you understand and that the community would understand. Thank you.

CHAIR—You alluded to ownership versus occupancy tension and the situation in the commercial sector where the occupier has a particular eye to operating costs and the constructor is, shall we say, more interested in meeting their particular needs. How do you see that discipline translated into the residential or the non-commercial sector based on what you said is the increasing involvement of your membership in the residential building field, for instance?

Mr Verwer—By applying the secret ingredients. The first secret ingredient is that the owners want to look socially responsible and gain public kudos for being socially responsible. That is a really big thing. Don't discount the value of being able to say that you are green in annual reports. The second big thing is socially responsible or ethical investment. Being able to get onto the Dow Jones ethical investment listing has been a big motivator. I will come to the question of whether we can translate these things into the residential sector in a minute—my view is that we can.

The third thing is rating systems. We have heard about green star. For years the Property Council opposed rating systems. I used to argue that buildings are not fridges. Anyway we had a Pauline conversion. Green star's value is that it is really easy to understand. We go up to six stars with green star. We would like to convert that into tax offsets, higher depreciation and the like. That is not there—that would speed things up—but even as it stands you have a simple system for measurement. So a tool kit has been created effectively.

In the residential sector there are no clear labelling systems—the most labelling you get is on your washing machine; nothing else is labelled. In most of the states and territories you do not have an equivalent to green star. In Victoria we have a rating system now but, as I mentioned before, we have something different in New South Wales. I think the other big difference is that in the residential sector we cannot just talk about energy; it has to be all of the eco-efficiency issues. So that is water, waste and even particulate levels. I think indoor air quality is important in a country where asthma rates are increasing.

In the residential sector there has not been a simple way to say, 'I want a four-star building. I want a three-star building. I want a five-star building.' That is absolutely crucial. One big one change would be for Property Council members to get more and more into the residential sector, as they are, because the same revolution that occurred in the nineties with property basically becoming a securitised collective investment vehicle is now starting to happen, as is already the case in the US, with that residential sector. That will mean big changes, because a Stockland, an Australand or a Mirvac will be able to lead the market. They can just say, 'We are going to reduce water wastage by 50 per cent.' Australand mentioned that the other day—in fact, I think Brendan Crotty said 70 per cent, which is actually easy. They are just going to do it, and that will have a demonstration impact. I would get some real leadership groups. If you wanted to do something you would get the big five or six to actually come up with a compact. The Australian Greenhouse Office is meant to do that, but that is another useless organisation.

CHAIR—You have seemed indecisive about that! How does that thinking wash into DAF?

Mr Verwer—DAF is very boring. It is a process. It is a content-free zone because it is really the community, local councils and state governments which should decide what the planning policies are. DAF is just a better way of making decisions about whether a project conforms with criteria—whether it be environmental criteria or heights or whatever. What DAF is really trying to do is free up the politicians—I mainly mean local councils here—to focus on policy. If DAF were successful they would stop making decisions and policy at 11 o'clock at night about a particular project and they would come up with environmental policies for their local area. They would maybe come up with some quite groovy incentives to encourage developers. They could actually show policy leadership, but they do not do that now.

Under the current system, after the local council officers have been bagged by the aldermen at 10 o'clock, at 11 o'clock they make policy on the run about what should be done about a particular development. DAF separates the role of policy making—which is the proper role of the local parliament, the council—from development assessment. There are lots of other efficiency measures associated with DAF, such as having clear rules up-front or having development assessment tracks like hard, complicated or whatever, with 'complicated' having lots of environmental elements and a 'tick the boxes' track in the middle. It is a complete kit which is designed to speed things up. But the most radical part of it is actually saying, 'Policy making is important, and that is what politicians should do—including policy making about environmental issues as they relate to a locale.'

CHAIR—I should declare a pecuniary interest here as the CEO of local government in a former life. I have had counselling since then! The thing that always concerned me was that these rules should be focused on the third owner of a property, not the person who is building it or the person who is contracted to that person to build it, because they might be perfectly happy

with a whole lot of suboptimal outcomes because it suits them. But long after they have gone you have subsequent occupants working in ordinary premises that do not meet any of those policy tests. Does DAF give greater weight to the longer term implications of what is being proposed rather than whether the two immediate players are happy but everyone else down the track will be very unhappy? How does that fit into your DAF policy experience?

Mr Verwer—To the extent that DAF is saying that the process itself should be content-free and you need to have the politicians focusing on exactly those issues—which they do not at the moment—it is a much better solution.

CHAIR—That was actually a Dorothy Dixier question I was throwing you there.

Mr Verwer—Did I get the answer wrong?

CHAIR—You are doing pretty well! So it would be helpful for those kinds of things?

Mr Verwer—DAF is about to start a very broad ranging consultancy all around the country which will be announced next week, I am sure.

CHAIR—They were very excited about it.

Mr Verwer—It will be looking at our add-on model and we will bring back the results of that consultancy to you.

Ms GEORGE—Could you flesh out the proposed funding arrangement through the community building bond. Would it be similar to the variety of infrastructure bonds that we have seen in the last decade?

Mr Verwer—No. Those bond schemes were specifically designed by Treasury to limit the amount of money that could be raised for infrastructure. They were capped and so on; it was crazy. We are talking about an old-fashioned Aussie bond scheme which is creating a pool of money by going out to institutions at a specific rate—offering them, say, a 15- or 20-year bond—on the basis that that money would be used to create long-living assets and that you pay off those assets over their life. It is just an ordinary old vanilla bond. The only difference is that it is raised by the Australian government and it is devoted to funding these community strategies.

Ms GEORGE—Does your council cover the property trust sector as well?

Mr Verwer—You betcha.

Ms GEORGE—I ask that because I am familiar with a number of property trusts in which superannuation funds have made major investments. What kinds of leverage do the property trusts have in terms of where they put their investment funds? Do you look at some of these issues of sustainability before you make judgments about where you invest?

Mr Verwer—Absolutely, and more and more. Socially responsible investment, or ethical investment, is becoming more important; it is a very small component at the moment. My view is that it is actually overblown; people talk it up a bit more than they should.

Ms GEORGE—That is my view too.

Mr Verwer—Nevertheless it is virtuous in its own right to the extent that people's retirement wealth is not being eroded just because it sounds good to do ethical investment, and I do not think anyone would say that it should. Yes, more and more of them are, and it is not just the industry funds. Cbus is a good example. Now that there is such a weight of capital in these funds, 70 per cent of Sydney and Melbourne are now collectively owned by these collective investment vehicles, which are what used to be called trusts. If Karl Marx were alive today he would be a superannuation fund manager and he would be putting a huge amount of money into property. He might even think that a portion of it—maybe five per cent—should go into ethical investment; I don't know. What he certainly would be saying is that all leadership companies—and trusts in particular—play a citizenship role these days and that what they want is diversity. The extent to which they can get more diversity in ethical investments and international investments is part of an increasing menu, and that is what they want. The question is: how do you classify these ethical investments? Everybody has their view about it. If you have a four green star rated building or portfolio can it be an ethical investment? This is the big debate we are having at the moment.

CHAIR—Our last committee report covers that for you. We have heard a lot about behaviour being changed by pricing in the externalities. That must keep you awake at night, because often your membership is attributed with creating some very challenging and financially demanding externalities as a consequence of the vitality and new levels of activity and people that are brought to particular areas. How do you see that playing out? The bond proposal is a good one but it could be viewed as a major cost-shift away from the drivers of the activity that has led to those adverse externalities such as traffic congestion, air quality, human stress—all the things that we have been canvassing. You could probably say that you guys have a hand in stimulating a bunch of those things. If we were factoring in the externalities we would be saying, 'We do not need bonds; we need you guys to pay your way.'

Mr Verwer—Absolutely. And you are trying to do that—aren't you—with development contributions?

CHAIR—That is right. And they have been singularly unsuccessful in most areas because they have been challenged to death through the appeals process.

Mr Verwer—We are good at that.

CHAIR—I don't blame you, because they are pricey.

Mr Verwer—The current system promotes game playing. If there is one thing the Property Council's members are good at, it is playing games. We hire teams of consultants and lawyers and we will get around it, generally. It is a huge waste of time, but we have no choice because it is inefficient. Look at all of the information that is put out on where the greenhouse load is coming from these days and where the extra energy cost and energy use are. They say, 'It might be only seven per cent of the total energy use, but buildings are the fastest growing sector of energy use in the country.'

CHAIR—Other than aviation, yes.

Mr Verwer—That is a crock, because it is not the buildings that are causing the energy use; it just so happens that the fastest growing and most efficient driver of prosperity in the country is in those buildings, and it is called the Australian service sector. It is not an externality when the Australian service sector is growing. It is being housed in what need to be world-class productivity platforms.

CHAIR—But it is according to the Allen report. That report said:

Living in cities has raised many externalities and market failures that have commanded public policy responses. Health, transport, communications ...

I am sure you have read this. The demand has commanded the public policy response, whereas the whole concept of externalities says, 'Bring the causal factors a bit closer to the problem solving.' The bond issue would seem a way of getting around that and giving someone else the grief. When we were in Western Sydney we saw that they are building new suburbs and making exactly the same mistakes that were made by the last generation because to do otherwise would put up the cost of the development. We were saying, 'Hang on. You are just cost-shifting to the folks who are already here.'

Mr Verwer—I think the problem in Western Sydney is a very good example. The problem there is that there is no planning. Have you looked at the Sydney Metropolitan Strategy recently?

CHAIR—Very slowly. We drove through a lot of it.

Mr Verwer—There is no Sydney strategy, so you get a mishmash. You have suburbs being opened up. There is no land release program. There is no synchronisation of the infrastructure to the land release. That is called planning. It is not there. Let me answer your externalities question. The externalities that Allen are talking about are externalities which are caused by growth, by prosperity. Who should pay for that? Governments that do not want to borrow to create the infrastructure which serves the broader community and has lifelong benefits are saying, 'No, we're not going to use bonds; we're going to rely more on inefficient, indirect taxes, thereby delaying the day that the deal for the GST revenue should come through—and let's whack the developer.' That is fine. We challenge it. To the extent that we have to pay it, we just whack it on the price. You do not need an Econtech model, an econometric model, to determine the second and third round impacts of that. We just whack it on straightaway, and quite rightly too. This is an unfair burden that is being placed on those who are risking the capital.

How much should they pay? We favour developer fees, developer contributions. There should be developer contributions but they should be for the access roads, the water and the curbing et cetera, not to build the library 10 kilometres away. If you are in Adelaide, the funds should not be used to fund an augmentation to the power plant that is up in the Barossa, which is how it is working these days. There should be a nexus between what used to be called the intensification of development caused by the actual project and clear rules and accountability. There is \$800 million raised in developer fees in New South Wales that is just sitting there, not even being used and not being audited. What sort of crackpot, broken down government system is that?

CHAIR—We could do some good with that, couldn't we?

Mr Verwer—Exactly.

CHAIR—Let us flip it the other way and talk about the commercial building area. Pick Adelaide. That is a place where the lights went off because it was hot and everyone switched their airconditioners on. It happened in WA too. You have talked about the glass towers and the fact that that is kind of sexy but really not that clever. Through the DAF thing we were saying: ‘Sure, build in that envelope but here is the energy that is available to you. If you want to have airconditioners running during the hot times of the day, you put the PVs in. You meet us—the community—part of the way in the strain you are placing on the utilities and the infrastructure. Start putting some of those partnership threshold proposals forward. How you go about that is up to you. Have some windows. Have an airconditioning system. Look at the technology you are using. Get world’s best practice. Even lay off some of your grief to the market down the road where they have a whole lot of roof space and nothing good to do with it, as has happened in Melbourne.’ Is there scope for that, do you think?

Mr Verwer—Yes, there are plenty of solutions. But the thing is solutions such as photovoltaics are risky. For Times Square, right in the middle of New York, there were massive tax concessions for photovoltaics to take the risk until the technology was proven. That is the only way you are going to do it. My first question in public to anyone who recommended that would be: ‘Okay. For the potential five to seven to 10 per cent decline in productivity in the Australian service sector that you’re risking here, what is your management strategy?’ because there will be none. But there are commonsense solutions as well. There are architects, designers and engineers. Why do we pay for eight different types of engineers, extraordinarily talented architects and project managers and all the rest of it? It is so they can come up with these answers. What is the problem there? They will claim we do not pay them enough.

CHAIR—You have just had nods over there, so that is apparently the case.

Mr Verwer—The Building Code of Australia is a real problem. If you want to try anything risky, Jesus, you are not going to get around that one!

CHAIR—It moves at a glacial pace—the no-brainers take five years to get through that process.

Mr Verwer—Absolutely.

CHAIR—Is DAF going to turbocharge that a bit?

Mr Verwer—The secretariat would be horrified if I said that. That is a separate issue. There is a Productivity Commission inquiry into building regulation at the moment—sorry, it is not a full inquiry; it is a research study—which is extremely important, because the Australian Building Codes Board holds a lot of the answers to these problems. Eliminating worst practice is actually a good thing in its own right. If you are looking at the bell curve, just looking at that chunk is really good. The voluntary stuff—leadership, demonstration programs and whatever—is over here, but it would be good to get rid of just this bad bit, and that is what building regulation can do. The Property Council supports well thought through building regulation. You are not going to get huge market change without dealing with the voluntary side as well, but ABCB is important.

Mr McARTHUR—How would you evaluate the success or otherwise of the garden cities—new cities—outside London after World War II, where they had a greenfield site and could put a lot of the arguments that you are putting to us into place? How would you evaluate the outcome now?

Mr Verwer—We are back to the future, because I think that was relatively successful—that is to say, you have green spaces. In South Australia you have the same concept and one of the good things about the new Melbourne 2030 strategy is that it is saying, ‘Here are the boundaries, here are the growth corridors and here are the green spaces which are the city’s lungs et cetera.’

CHAIR—Clapped-out farming land.

Mr Verwer—It is still breathing. Maybe it has to be defibrillated, I do not know! At least this is an area which will not be developed.

Mr McARTHUR—Did the new cities program really work?

Mr Verwer—There were so many other things. I think it was J. B. Priestley commenting on the new cities program who said that there were far too many broken eggs and not enough omelettes.

Mr McARTHUR—It is a bit hard to interpret that. I am not sure whether you are saying yes or no.

Mr Verwer—I am saying that there were some very good aspects to it, but it was also overridden by tremendously stupid town planning, design and council laws. I think the original idea was quite good, but it never had a chance in the end. It was choked to death.

Mr McARTHUR—That will do.

CHAIR—Let us go back to the green city thing. Let us pick Melbourne and the green wedges. The most endearing ecological feature of them is that they are not a road. Other than that, they seem to be more sizzle than steak in terms of their contribution to the wellbeing of the place. If we have a view that the dislocation of various aspects of people’s lives is a key contributor to the unsustainability of our cities, surely there is a smarter utilisation of those spaces, whether it be green industrial precincts with very low plot ratios or some vegetation being introduced, all with some productive use so that folks do not have to spend four hours a day in their cars commuting to a place of work because there is nothing in their vicinity because it has been zoned out of their region. Surely there is scope there to get a more sustainable, longer term beneficial plan in place, rather than just the optics of having a green wedge that serves no other purpose than being the next frontier for the next town planning amendment blue.

Mr Verwer—There is no doubt that Melbourne 2030 has its flaws. The point you have made is the point that we are making about planning. Good planning is about juggling priorities with community involvement up-front, so what one needs to do is have green components and they do not have to be clapped out cow paddocks—

CHAIR—Agistment parks.

Mr Verwer—Yes. But there needs to be employment land as well. One of the things that Melbourne 2030 tries to address is employment, which does not take place in New South Wales, so Bob Carr and Craig Knowles are looking at it now. There is no program for employment lands and they are consigning people to travel three hours a day. Not only are you not close to anything green but you are not close to your job. Some people do want to travel into the CBD—and that is the work centre—but planning is all about hierarchies of activity and included in those hierarchies of activity are work activity, social activity and the need for green spaces. This is what planners do, but they have not actually had a chance at all to do it. Melbourne 2030 was the first plan for a long time. It was the first time we have had a go at it properly for a couple of decades. It has its flaws. Sydney's is next. I know all of the staff who are dealing with that. I do not think they sleep at all; they are just terrified.

CHAIR—In terms of your membership, the externality pricing issue in downtown Sydney must make some of the outer regional centres around the conurbation of Sydney more attractive as investment destinations for some of your interests.

Mr Verwer—Definitely.

CHAIR—It strikes me that we have not quite got those externalities right. It is still more attractive to build another tower in downtown capital cityville when there are satellite regional centres in the greater metropolis that would have the supply of skilled personnel available and access to market share. It still does not get up as an attractive alternative.

Mr Verwer—Those towers are extraordinarily valuable contributions to our international competitiveness, given what they house. As for the pricing, there is more and more. If you look at where the big growth has been in the last 25 years, I think it was probably in the late eighties that finally the amount of office space—and we are talking about commercial space here: places of business activity—in the suburbs finally caught up to the CBDs and ever since then the suburbs have been growing at a faster rate compared with the CBDs. That is mainly in town centre activity centres. That will continue to be the case into the future. Parramatta, after 16 false starts, is finally starting to get there.

CHAIR—I was thinking of it as well.

Mr Verwer—But it is not just those. We heard David Parken mention Newcastle and Wollongong before. Take the development of the Hunter and the Illawarra: we are doing a huge amount of work on that at the moment. I do not think it is because the CBD is not being taxed enough or the externalities are not being priced in. I have to say, with respect to all the members here, that you have to add in the company tax, the land tax and the stamp duty. Remember that land tax is an economic rent. That is what we are paying that nobody else pays in terms of the extra activity which arises from a locale because of public policy. We are paying that. I have brought up stamp duties. Add asset value capture, developer contributions—

CHAIR—It is still more advantageous and attractive to be where you are.

Mr Verwer—Yes, because the rents are higher in the city because people want to be there. Market forces are operating effectively.

Ms GEORGE—I refer to the UK urban renewal program, the urban renaissance program, which I do not know much about. Do you think there are things happening there that could be of benefit to the work of this inquiry?

Mr Verwer—Definitely.

Ms GEORGE—How do we go about it? What would be the best way of making a linkage to that?

Mr Verwer—I can liaise directly with the secretariat on that. I am hoping to get Lord Rogers out.

Ms GEORGE—You were saying that you had someone coming out from the program.

Mr Verwer—Yes, the guy who designed it, the guy who has the direct phone line to Blair, Brown and Prescott. And two weeks ago Sir Stuart Lipton was here. Apart from being a property developer, Sir Stuart is also the Chair of the Commission for Architecture and the Built Environment—something which does not exist here—appointed by Prescott, the Deputy Prime Minister. That commission is specifically providing tool kits for developers, community players and local councillors to help them build more sustainable communities. They really are well ahead of us. Is the program good or not? I would give it six out of 10.

Ms GEORGE—At least conceptually it is streets ahead.

Mr Verwer—Yes. The model is fine. We had drawn down on that model but we recognise that Australia's situation is totally different. They do not have the same problems of sprawl that we do. Of course, we do not have the same problems of sprawl as the US. We need our own solution set here.

CHAIR—The spatial blindness issue raised in your submission—is that a lack of appreciation of the various systems and the reactions and interactions between things going on in a particular area, or is that a silo effect?

Mr Verwer—It is just part of the training of people who run departments. I think it is the silo effect. We have just had 20 or 30 years of that, and it is going to take a while to change it.

CHAIR—Tools like GIS technology and the like seem terribly underutilised, whether in overlaying natural systems features on built environment, on infrastructure, on human movement, on where cargo travels or on distance and travel to work methods. That seems a technology that is just so suboptimally embraced. Is there a role there for the feds to try and enhance or aid the research and insight and awareness by supporting the development of those technologies?

Mr Verwer—Absolutely. Most people do not know it exists. It has a subterranean profile out in the wider world.

CHAIR—It has great functionality potential.

Mr Verwer—The shopping centre people in particular use all of that technology. They can predict the turnover of a shopping centre five years before it is finished, using location-allocation models, cadastral databases and GIS systems. They use it to make money. They are very focused.

CHAIR—It is a good distributed governance tool.

Mr Verwer—Absolutely.

CHAIR—You need the horsepower to back that up.

Mr Verwer—And that is one of the things that we can learn from the EU.

CHAIR—Ms George is about to leave, so we had better finish, otherwise it will be just you and I having a fireside chat, and we cannot do that. Thank you. We will hear more about the Brit stuff?

Mr Verwer—Yes.

CHAIR—Great. Thank you for making yourself available.

Resolved (on motion by **Ms George**):

That this committee authorises publication of the evidence given before it at public hearing this day.

Committee adjourned at 1.08 p.m.