



Issues Paper

Inquiry into enhancing Victoria's liveability

Victorian Competition and Efficiency Commission

October 2007

About the Victorian Competition and Efficiency Commission

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

VCEC has three core functions:

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

For more information on the Victorian Competition and Efficiency Commission, visit our website at: www.vcec.vic.gov.au

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About this issues paper

This document is intended to assist individuals and organisations prepare submissions to the Commission's inquiry into enhancing Victoria's liveability. It outlines:

- how to make a submission
- the scope of the inquiry
- the Commission's consultation processes
- issues on which the Commission is seeking feedback and information.

Key inquiry dates

Initial consultations	October 2007 to January 2008
Initial submissions due	31 January 2008
Roundtable discussions on selected issues	February/March 2008
Draft report for further consultation	Early May 2008
Draft report submissions due	End June 2008
Public hearings/roundtables on the draft report	July 2008
Final report to government	12 October 2008

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How to make a submission

Any interested party may make a submission to the Commission. Submissions may be in written, electronic or audio form. The Commission will post all public submissions on its inquiry website. To facilitate this, we would prefer an electronic version of the submission to be provided (on a 3.5-inch diskette, CD-ROM or by email).

Written submissions should be sent to:

Liveability inquiry
Victorian Competition and Efficiency Commission
GPO Box 4379
Melbourne Victoria 3001

Or emailed to: liveability@vcec.vic.gov.au

The submission may comment on any issues within the scope of the inquiry's terms of reference. It is important that the submission contains, where possible, relevant facts, figures and data, examples, and documents to support your views.

Submissions accepted 'in confidence'

The Commission publishes all written submissions it receives in relation to an inquiry unless it considers that publication is not in the public interest because of the confidential nature of a submission or for some other reason, for example, because a submission may give rise to a claim in defamation. Anyone making a submission should be aware that the Commission's documents are subject to the Freedom of Information Act 1982. While the Commission will respect the wishes of those making submissions 'in confidence', the application of that Act in any particular case is ultimately outside the control of the Commission. Anyone wishing to make a submission in confidence is asked to contact the Commission before doing so.

Materials submitted as confidential must be clearly marked 'CONFIDENTIAL', either in part or in full, with the reasons why. A separate submission should be provided with the confidential material removed.

Other reports

In order to facilitate the public inquiry process, the Commission will maintain on its website selected documents, reports and research papers that are relevant to the inquiry. Participants are encouraged to draw such reports to the attention of the Commission at any time.

Letter of transmittal

Mr Graham Evans AO

Chairperson

Victorian Competition and Efficiency Commission

Level 14, 55 Collins Street

MELBOURNE VIC 3000

Dear Mr Evans

INQUIRY INTO ENHANCING VICTORIA'S LIVEABILITY

Pursuant to section 4 of the State Owned Enterprises (State Body – Victorian Competition and Efficiency Commission) Order ('the Order'), I hereby direct the Victorian Competition and Efficiency Commission ('the Commission') to conduct an inquiry into enhancing Victoria's liveability.

This inquiry should investigate the links between liveability and the competitiveness of the State, and consider ways in which the Government can best enhance Victoria's status as an attractive, vibrant and exclusive place to live, while ensuring that sustainability issues are taken into account. The full terms of reference are enclosed.

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

The Commission is to take into account the views and submissions of key interest groups and affected parties, including relevant government department and agencies. In particular, consultation should take place with relevant planning authorities, including the Growth Areas Authority and VicUrban.

The Commission should release a draft report for consultation purposes, with a final report provided to me within 12 months of receipt of this reference.

Yours sincerely

JOHN LENDERS MP

Treasurer

Received on 12 October 2007

Terms of reference

Inquiry into Enhancing Victoria's Liveability

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

Background

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

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

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

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

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

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

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

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

Scope of the inquiry

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

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

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

Inquiry process

In undertaking this inquiry, the Commission is to have regard to the objectives and operating principles of the Commission, as set out in section 3 of the Order.

The Commission must also conduct the inquiry in accordance with section 4 of the Order.

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

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

JOHN LENDERS MP

Treasurer

12 October 2007

1 About this inquiry

As noted in the terms of reference for the inquiry, 'Victoria is already one of the most liveable locations in the world, with international surveys ranking Melbourne among the world's top cities in terms of offering the best quality of life.'

However, liveability is not a static concept, once achieved and then secured. Changes in demographics and technology provide new challenges and opportunities. Improvements in services are desired and infrastructure needs to be renewed. Other cities and regions around the world are trying to improve their own liveability — not only to improve the quality of life of existing citizens but because improving liveability may impact on the competitiveness and future prosperity of regions.

State governments cannot influence many dimensions of liveability. Some, such as taxation and immigration, are heavily influenced by the Commonwealth Government. Important aspects of liveability are under the direct influence of individuals themselves; for example, some people have the option to choose whether they live in a city or provincial area and they will make choices according to their preferences and perceptions of the liveability of different locations. Moreover, perceptions of well-being are also influenced by factors such as the quality of family life, the courtesy of strangers, reward for effort and an appreciation of achievement, which are not particularly a product of government policy.

Some elements of liveability are in tension with each other, so there are often trade-offs between desirable characteristics; for example, between open space and urban facilities, or between pedestrian and vehicle access. Moreover, where liveability comes at a price, there are resource and budget constraints for individuals, companies and government to consider.

Nevertheless, Victorian Government policy and actions have the potential to affect many dimensions of liveability across Victoria and have a major impact on businesses and the community. The Victorian Government plays a key role in the provision of important services, such as health, education, public transport and safety. Much of the key infrastructure in the state, such as roads and ports, involves State participation in its provision and maintenance. In addition, the Victorian Government administers planning and other regulation which seeks to achieve the government's and the community's objectives without unnecessarily impeding choice and competition.

The Victorian Government has emphasised the importance of enhancing Victoria's liveability and this inquiry is being undertaken within that context.

The Premier has also outlined his seven priorities for Victoria, which are:

- education, skills and lifelong learning, including early childhood development
- accelerating public transport improvements and easing congestion
- making government more accessible and the executive more accountable
- improving urban development and planning, particularly in outer suburbs
- improving healthcare with a particular focus on preventable chronic diseases and cancer
- strengthening the delivery of major projects
- improving services to our farmers.

In addition, in a speech at the Institute of Public Administration Australia, the Premier noted that his government will focus more on the specific issue of liveability (Brumby 2007a). Aspects of liveability noted by the Premier in his speech include:

- housing affordability
- tackling disadvantage through A Fairer Victoria
- low crime rate
- cosmopolitan, multicultural way of life
- room to grow.

The Commission's inquiry can contribute to the discussion and policy making process to help enhance Victoria's liveability in several ways, including by:

- generating information and facilitating debate on measures of liveability and testing the relative importance of the underlying factors contributing to liveability
- illuminating overlaps between business and community perceptions of liveability, and connections between these and innovative capability and the investment climate
- making recommendations, which have been tested through the publication of a draft report and the public inquiry process, to improve outcomes in a way that recognises trade-offs between particular industries or groups in the community.

1.1 Scope of the inquiry

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

- explore the links between liveability and Victoria's competitiveness
- examine the efficiency advantages of good planning and community infrastructure and the economic costs of poor urban design

- discuss whether there are dimensions of liveability that are different in provincial Victoria than in Melbourne
- report on the planning, design and implementation of sustainable urban concepts and systems that are focussed on achieving liveability goals, and the potential applicability of such approaches in Victoria
- identify opportunities for State government action to enhance the liveability of Victoria.

The terms of reference for the inquiry are broad and a wide range of issues could be considered within the scope of the inquiry. The Commission is explicitly directed not to critique the effectiveness of the Victorian Government's *Melbourne 2030* strategy and should make findings within the current policy framework (including *Growing Victoria Together*, and *Meeting our Transport Challenges*).

It is evident that a considerable body of work into aspects of liveability is available. A challenge for the Commission is to focus its effort where it can add the most value. Later in this issues paper the Commission sets out possible criteria to help focus the inquiry. Consultation with interested parties will also be invaluable in helping to highlight where the Commission can make a valuable contribution and complement existing research and government initiatives.

1.2 Who should participate

The terms of reference require the final report is to be targeted towards 'an interested and learned audience' and the inquiry is likely to be of interest to a wide range of individuals and organisations, including:

- businesses, especially those with recent experience in assessing locational choices
- public policy analysts, academics and those with an interest in liveability, urban planning and public policy
- not-for-profit and community organisations
- professional associations
- local government
- government departments and their agencies (including the relevant regulatory bodies).

Any interested party is encouraged to provide a submission outlining issues relevant to the inquiry that concern them. While the Commission will attempt to consider all submissions throughout the inquiry, submissions in response to this issues paper are invited by 31 January 2008. The Commission would appreciate submissions with as much detail as possible (including relevant data and evidence), but they do not need to be extensive documents covering all the issues

noted in this issues paper. Submissions may discuss specific issues or provide case studies to highlight particular issues.

Direct consultation and discussion with a wide range of Victorians is essential for this inquiry. The Commission intends to hold meetings with key stakeholders, such as peak business and consumer groups, charities and community organisations and representatives of state agencies, and local governments. The Commission also intends to undertake a number of visits to provincial Victoria to ensure the views of those not residing in Melbourne are considered. In addition, the Commission intends to hold roundtable discussions or public hearings at which interested parties will be given the opportunity to present and debate their views.

The Commission may also publish discussion papers to explore particular issues. There will be a further opportunity to provide a submission to the Commission following the release of the draft report.

Anyone who wants to be kept informed of the inquiry or make a submission is encouraged to register their interest using the form provided on the Commission's website, www.vcec.vic.gov.au. The website will be regularly updated to include information on the consultation process, copies of publications relevant to the inquiry and public submissions.

2 Background information and issues

This issues paper is designed to assist you to participate in the inquiry and help establish the public inquiry process. It provides some background information, identifies some of the major issues the inquiry is likely to address and asks a number of questions about issues on which the Commission is seeking initial information and views. The issues paper is not intended to limit comments, nor does it require you to answer all the questions posed. Indeed, the Commission will be guided to a significant extent by the matters and insights raised by participants.

In the sections below, the Commission explores what liveability might be, which existing policy initiatives affect liveability, and considers the appropriate role for government in increasing liveability. This background information is followed by an outline of some of the issues the inquiry is expected to address. The list of issues is not meant to be exhaustive and participants should raise other issues they consider important for enhancing Victoria's liveability.

2.1 What is 'liveability'?

'Liveability' is a broad term, with no precise or universally agreed definition. However, most people could probably accept that liveability embraces notions such as quality of life, the 'character' of a place, the health of communities and sustainability. It is a relative concept and will invariably mean different things to different people, but it embodies social, economic and environmental dimensions.

In general terms, liveability encompasses broad human needs ranging from food and basic security to cultural expression and a sense of belonging to a community or place. The Premier of Victoria has said of liveability:

... It is a mix. It's about good economy, but more than that, it's about the sort of values that make up a society — values like fairness, a fair go, traditional values, caring, strong communities. And it's about opportunity — making sure wherever you come from, whatever your family background, you've got the opportunity to go on and do well in life.¹

¹ The Premier was quoted in: Austin, Paul, "A state of mix and match", *The Age*, 9 August, 2007.

2.1.1 Measuring liveability

There are many published measures of ‘liveability’ that evaluate quality of life across cities and countries. Although the measures differ in the choice of and weight given to each characteristic, common elements include political stability, economic conditions (usually employment or living standards), climate and environmental quality, health, education, and culture and recreation. Some of these measures are intended to help firms determine salaries and conditions for expatriate staff. Examples of these measures of liveability include:

- The Economist Intelligence Unit’s (EIU) Liveability Ranking — this measure is probably the most widely known measure (box 2.1). Table 2.1 provides data on the five highest and five lowest ranked cities in the 2005 EIU survey.
- The EIU’s Quality-of-Life Index — this measure links the results of subjective life satisfaction surveys with objective determinants of quality-of-life to decide which factors are included and the weighting each factor is given.
- The Mercer Human Resource Consulting’s Worldwide Quality of Living Survey — this measure is designed to assist people moving overseas and companies who relocate employees to decide on appropriate remuneration.
- The Vanderford-Riley Well Being Schedule — this measure focuses on economic conditions.
- The United Nation’s Human Development Index — this index is a comparative measure of a country’s life-expectancy, literacy, education and standard of living.
- International Living also publish Quality-of-Life rankings — this measure is similar to the Mercer index with cost of living included as one of its factors.

Some countries have also developed domestic measures of well-being, and there are a number of measures that focus on particular aspects of liveability. For example, in 2001 the Australian Unity Well-being Index was launched by Australian Unity in partnership with the Australian Centre on Quality of Life at Deakin University. It has two components: personal and national well-being and is updated regularly. Both measures are based on average levels of satisfaction with aspects of personal and national life. Personal well-being is measured using average levels of satisfaction with standard of living, health, life achievements, safety, personal relationships, and community inclusion. National well-being is measured by average satisfaction with social conditions, economic situation, environment, governance, business and national security (Cummins, Walter and Woerner 2007).

Box 2.2 EIU Liveability Ranking

The EIU ranks cities on the basis of their liveability as part of the now biennial Worldwide Cost of Living Survey. Living conditions in 132 cities are assessed using almost 40 indicators grouped into five categories. Each indicator is given a value between one and five, where one means the indicator has no impact and five means the indicator is extremely challenging. The indicators are used to give cities a rating between zero per cent and 100 per cent — with a lower score indicating the city is a more attractive option.

The EIU Quality of Life rating consists of five weighted categories:

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

Melbourne was ranked as the best city to live in 2003 and 2004 — receiving favourable scores in the areas of crime and climatic conditions. In 2005, Melbourne slipped to second place behind Vancouver, Canada. Melbourne ranked below Vancouver in ‘culture and environment’, with Vancouver judged to have more recreation activities than Melbourne.

Source: City of Melbourne 2007.

Table 2.2 EIU Liveability ranking of cities 2005

<i>Rank</i>	<i>Cities</i>	<i>Liveability Index (per cent)^a</i>
1	Vancouver	1.3
2	Melbourne	1.8
3	Vienna	2.3
4	Perth	2.5
5	Toronto	3.0
⋮	⋮	⋮
128	Kathmandu	54.7
129	Karachi	58.6
130	Lagos	60.1
131	Dhaka	60.4
132	Algiers	64.7

^a Weighted index rating where zero per cent represents exceptional quality of life and 100 per cent represents intolerable.

Source: Economist Intelligence Unit 2006.

Measures of liveability produced by the public sector seem to place greater emphasis on factors which governments can influence directly, such as the quality of open spaces, built environment and the range of cultural and artistic activities available to residents and visitors.

In 2005, VicHealth commissioned the Victorian Community Indicators Project, to develop a framework of indicators to measure community well-being.² The indicators include:

- social: healthy, safe and inclusive communities
- economic: dynamic, resilient local economies
- environmental: sustainable built and natural environments
- cultural: culturally rich and vibrant communities
- democratic: democratic and engaged communities.

The project is currently managed by Community Indicators Victoria, which produces community well-being reports, containing a selection of community well-being indicators, for each of the 79 councils in Victoria.

² See: www.communityindicators.net.au

By way of comparison, Cairns City Council (2006) in Queensland produced a report on the liveability of the city. The indicators used in the study are:

- affordability
- accessibility
- mobility
- diversity
- equity
- amenity
- well-being
- good leadership.

Liveability measures are typically used as a benchmarking tool to make comparisons between countries and cities. Scores are often publicised by cities that score well, for tourism and migration purposes. Measures may also be used by governments to track progress in improving elements of liveability in the community.

The Steering Committee for the Review of Government Service Provision (SCRGSP 2007) produces an annual review of government service provision by the Commonwealth and States. Many of the areas reviewed are relevant to liveability including: education, health, housing, aged care and services for people with a disability. The Steering Committee notes:

The Report is primarily a tool for government. The information it contains can play a useful role in improving the performance of government services, by helping jurisdictions identify where there is scope for improvement, and promoting greater transparency and informed debate about comparative performance. (SCRGSP 2007, p. iii)

In the United Kingdom the government has set a liveability target for the government, which is to:

Lead the delivery of cleaner, safer, greener public spaces and improvement of the quality of the built environment in deprived areas and across the country, with measurable improvement by 2008. (Department for Communities and Local Government 2006a, p. 1)

There are detailed and specific indicators supporting this broad objective which can be used to assess the effectiveness of government policy measures.

For the purposes of this inquiry, is it necessary for the Commission to define liveability? If so, what definition should it use? What are the strengths and weaknesses of different definitions?

What is the purpose of measuring liveability? What are the advantages and disadvantages of adopting liveability targets as in the United Kingdom? What are the relative advantages and disadvantages of trying to construct a single composite measure of liveability rather than

measuring the various component parts? Does a single measure oblige trade-offs between desirable characteristics to be recognised? Is there any evidence of benchmarking comparisons of liveability being used for SWOT (strengths, weaknesses, opportunities, threats) analysis?

2.2 Existing policy initiatives

Many elements impact on liveability and no one group is entirely responsible for the liveability of a city or state. Some factors, such as climate, may be given; some can be influenced by individuals and some by different levels of governments (section 2.7.1). Nonetheless, the Victorian Government has a significant interest in, and ability to influence, Victoria's (and Melbourne's) liveability.

The Victorian Government has a number of major overarching policy initiatives which impact on elements of 'liveability', although enhancing liveability may not necessarily have been cited as their overriding objective. The terms of reference for the inquiry indicate that the Commission's findings should be made within the policy framework created by these initiatives.

These major policy initiatives include:

- *Melbourne 2030* — a strategic plan developed to manage Melbourne's projected population growth of over one million people by 2030, in addition to improving the quality of life for existing residents (box 2.2). The terms of reference indicate that a critique of the Melbourne 2030 strategy is outside the scope of the inquiry; however, it provides the broad framework within which many other policy measures operate.
- *Growing Victoria Together* — developed in 2001, Growing Victoria Together is a medium term vision to build a stronger, more caring, innovative state. It contains a number of elements which are intended to promote a state with:
 - a strong and innovative economy
 - quality health and education sectors
 - caring and inclusive communities
 - a healthy environment
 - open and accountable government.
- *Meeting our Transport Challenges* — outlines an action plan for Victoria's transport system. Elements include:
 - expanding and maintaining connections between regional centres
 - improving cross town connections in inner and outer Melbourne
 - addressing congestion.

Box 2.3 **Melbourne 2030**

Melbourne 2030 is based on a set of core principles and nine key directions. The underlying principles are sustainability, innovation, adaptability, inclusiveness, equity, leadership and partnership. The nine key directions are:

- a more compact city
- better management of metropolitan growth
- networks with regional cities
- a more prosperous city
- a great place to be
- a fairer city
- a greener city
- better transport links
- better planning decisions, careful management.

While the primary focus of *Melbourne 2030* is on metropolitan Melbourne and the nearby non-urban areas, it also deals more broadly with the larger regional centres of Geelong, Ballarat, Bendigo, and the Latrobe Valley, where development is increasingly affected by Melbourne in terms of congestion and commuting, as well as business.

(Note: A critique of *Melbourne 2030* is outside the scope of the inquiry.)

In addition, there are many other policies which impact on specific elements of liveability. Relevant policy areas would include:

- economic growth and the business environment
- taxation
- environmental and sustainability policies
- planning and land use
- transport
- health, education and learning
- policing and public safety
- cultural and artistic events and institutions
- recreation facilities as well as community development.

The number of policy initiatives that have the potential to influence Victoria's liveability raises questions regarding how well they can be integrated, and how they deal with changing circumstances.

Are there additional policies that affect liveability and which should be considered as part of this inquiry?

How well integrated are existing policies that influence Victoria's liveability? When new policies affecting liveability are being developed, to what extent, if at all, is there consideration of how they may interact — in a positive or negative way — with other existing policies?

How do existing policies deal with change; for example, population shifts, technological opportunities, and changes in national settings?

2.3 Liveability and competitiveness

The terms of reference require the Commission to explore, using well-established measures of liveability, the link between liveability and enhancing Victoria's competitiveness. Aspects of city or state competitiveness that can be influenced by perceptions of liveability include:

- Competition between cities/states to attract highly productive mobile resources (both capital and labour) from other areas within Australia and also from overseas. Attracting highly skilled and productive resources may lead to greater growth and development within the city and state.
- Dynamic and growing cities and provincial areas can act as important drivers of state competitiveness and economic growth.

However, there is some uncertainty in the economics literature as to how to apply the concept of competitiveness to cities or regions. Begg highlights the debate by noting the views of prominent economists, Paul Krugman and Michael Porter:

Simply put, Krugman's view is that competitiveness is an attribute of companies, not cities, regions, countries or continents. Others disagree ... Porter goes on to assert his conviction that the national environment affects the competitive position of firms, and he observes that understanding the role of the nation 'would yield some fundamental insights into the how competitive advantage was created and sustained'. ... the reasoning also applies to cities. (Begg 1999, p. 796)

In the United Kingdom, a study of the competitive economic performance of English cities defined the competitiveness of urban economies as:

The ability to continually upgrade their business environment, skill base, and physical, social and cultural infrastructures, so as to attract and retain high-growth, innovative and profitable firms, and an educated, creative and entrepreneurial workforce, thereby enabling them to achieve a high rate of productivity, high employment rate, high wages, high GDP per capita, and low levels of income inequality and social exclusion. (Department for Communities and Local Government 2006b, p. 8)

This definition captures both aspects of competitiveness — the attraction of resources and city/regions as an engine of growth and development, and illustrates that to some extent these aspects of competitiveness are interlinked —

with liveability being one factor which potentially helps attract resources and so build on state competitiveness and growth. The Premier of Victoria notes that:

Apart from the obvious fact that liveability improves quality of life, liveability also attracts creative and innovative people which in turn attract high-value industries. So it makes good economic sense to encourage a more liveable state. (Brumby 2007c, p. 5)³

However, the importance of liveability to enhancing competitiveness is difficult to determine and its relative importance may differ from place to place and over time. Research examining city competitiveness in the United Kingdom concludes that:

Overall we could find no correlation between quality of life indicators and high/low performing cities, or the proportion of the workforce with degree level qualifications. As a result, we conclude that a good quality of life is an indirect rather than a direct driver of urban economic competitiveness. (Department of Communities and Local Government 2006b, p. 11)

The role of other factors affecting competitiveness and economic performance and the ability of cities and states to attract resources (both labour and capital) need to be further explored.

How should competitiveness be defined in the context of cities and provincial areas? Is it correct to think of competitive cities and provincial areas, or is it better to think of cities and provincial areas which have a high proportion of competitive firms and businesses located within them? How should competitiveness be measured? If productivity between states can be compared, how does Victoria's productivity compare with that of other states?

What are the linkages, if any, between liveability and competitiveness? Does competitiveness drive liveability or does liveability drive competitiveness, or are there linkages both ways? If there is a link, has it changed over time and if so in what ways?

How important is liveability compared with other factors that may influence city and state competitiveness? What data is there on the reasons why people and firms move to, or from, Victoria from other parts of Australia or overseas? What evidence is there, if any, that perceptions of 'liveability' play a role in attracting people and businesses to particular places? Does any link between liveability and competitiveness differ between city and provincial areas of Victoria?

To what extent, if any, are there trade-offs between more liveable places and competitiveness? For example, low tax rates may help to attract businesses, but may mean lesser infrastructure and a lower level of public services which they will also take into account.

³ See also Richard Florida 2002 and 2005.

To what extent, if any, does data on population movements and land values between states, regions and cities in Australia provide information on the liveability and competitiveness of different areas?

2.4 Liveability and good planning and design

The Commission is directed by the terms of reference to examine the efficiency advantages of good planning and community infrastructure and to evaluate the economic costs of poor urban design. Planning and design considerations encompass both:

- broad planning frameworks in place for Melbourne and the state
- detailed elements of planning approvals and processes (which are more likely to be the responsibility of local government).

At the broadest level, the planning vision for Melbourne is set out in the Government's *Melbourne 2030* strategy, which is a 30-year plan to manage growth and change across metropolitan Melbourne and the surrounding region in a sustainable manner (box 2.2). While the terms of reference for the inquiry specifically exclude a critique of the effectiveness of this strategy from the Commission's investigations, the *Melbourne 2030* strategy provides part of the context within which consideration of liveability and the link to good planning and design must take place.

Influencing the design of cities, towns and the development of the state through good planning and design are important elements in promoting a liveable Melbourne and Victoria. Broad planning instruments affect the co-ordination of transport, housing, land, community facilities and infrastructure development. Easy access to these facilities promotes the liveability of the city and state.

Overarching planning regulations affect how land should be used and developed, which thereby affect the location, form and intensity of economic activity. Appropriate planning regulation therefore has the potential to facilitate economic development of the state. Poor planning and design, on the other hand, can hinder economic development and impose significant costs on the community.

The benefits of good planning and design are likely to extend beyond direct economic benefits. Well designed communities can help foster a sense of community, improve social cohesion and contribute to building social capital.⁴

⁴ The concept of social capital is an important one from a liveability perspective. There appears to be no single agreed definition of social capital, but in general, it refers to adherence to social norms, well developed social networks and associated levels of trust (Productivity Commission 2003).

Excessively rigid planning and control of the development process may hinder economic development, impose significant costs on businesses and the community, and adversely affect liveability. Unnecessary planning and control can adversely impact on the operation of market forces by preventing businesses from making location and investment choices which best suit their individual circumstances. On the other hand, a clear planning process may be able to reduce the transaction costs of integrating separate but related developments and can recognise externalities (such as environmental factors) or distributional issues otherwise ignored by the market. The challenge is to identify the appropriate balance between planning and market forces as the mechanism to influence location and land use choices.

At the more detailed level, good planning should incorporate appropriate, cost effective processes for planning approvals (and appeals) and implementation. Inefficient or unnecessary planning processes can impose direct costs on citizens and businesses — these costs can include the financial costs and time taken to get planning approvals and the associated delay costs. The Commission has previously commented on this issue in its report on *Regulation and Regional Victoria* (VCEC 2005).

Having appropriate planning processes and controls will provide benefits to the community, but the challenge is to ensure that the costs do not exceed the benefits. As Victoria's Parliamentary Secretary for the Environment notes:

However, it is not just a matter of removing planning controls; there are good reasons why many planning controls exist and, in some instances, the cost of not controlling matters is significant for the community. But whenever a permit is required, it is important that the planning process adds demonstrated value. (DSE 2006, p. i)

There have been a number of reviews of the planning system in Victoria, including the outcomes of the Whitney Committee (2002), the Better Decisions Faster (2002–2005) project and most recently the Cutting Red Tape in Planning Review (DSE 2006). However, there may be opportunities to further streamline processes, improve implementation and enhance the liveability of Victoria. Indeed, these reviews considered how to streamline the planning process but did not necessarily adopt a 'liveability' perspective when reviewing existing arrangements.

What is the role of planning versus market mechanisms to determine land use and locational choices? Is it possible to have choice within cities between different degrees of planning?

What are the characteristics and benefits of good planning and design? What are the costs of poor planning and design and how are they borne by the community? Are there useful examples of good design and planning and lessons to learn, including on timelines, from other jurisdictions or overseas?

In relation to planning and design, what is the appropriate allocation of roles and responsibilities between the state and local governments? How well are the planning and design roles of the different levels of government clearly specified and well co-ordinated? Are local governments resourced to fulfil their role in the planning process?

In relation to detailed planning processes and permit application, is there potential to further streamline the assessment and approvals process? Are there examples of successful reforms or other lessons to be learned from other jurisdictions?

2.5 Do dimensions of liveability vary across Victoria?

The terms of reference require the Commission to discuss whether there are dimensions of liveability that are different in provincial Victoria than in Melbourne. Issues that impact on the liveability of Melbourne — such as transport congestion or housing affordability — may have different characteristics in provincial areas of Victoria.

Alternatively, there may be some issues which are of particular concern for those in provincial areas. Access to health and education services and other infrastructure may be examples.

The Commission is also interested in information about how the elements of liveability differ between members of the community; for example, those with disabilities, aged people and those from culturally and linguistically diverse backgrounds.

Other aspects of liveability may equally concern all parts of Victoria. For example, both urban and provincial areas may regard improving transport services as being an important way to improve liveability, but the specifics may differ — provincial areas may be concerned with improving roads while those living in urban areas may be more concerned with access to public transport.

To what extent, if any, do the various dimensions of liveability vary across Victoria? What, if any, are the key differences? To what extent, if any, are the dimensions of liveability similar between Melbourne and the major provincial Victorian cities? If there are differences in the dimensions of liveability across Victoria, can they be characterised as differences between large urban areas and smaller towns and rural communities?

Is there any published data, from Victoria, other parts of Australia or overseas which explores differences in liveability between urban and provincial areas? Is there any evidence of relative changes in the dimensions of liveability which are important in urban and provincial Victoria over time?

How do the liveability needs of particular sections of the community differ? What, if any, data is available on these differences? To what extent, if any, are these differences taken into account

in the policy making process? Does the policy making process need to be changed and, if so, in what ways?

2.6 Liveability and sustainable urban concepts

The terms of reference require the Commission to report on the planning, design and implementation of sustainable urban concepts and systems in other jurisdictions — both in Australia and internationally — that are focused on achieving liveability goals, and comment on the potential applicability of such approaches in Victoria.

Sustainable urban concepts and systems refer to urban settlements which are planned so as to explicitly balance social, economic and environmental goals in order to enhance liveability.

There would appear to be a close link between planning mechanisms and policies and the promotion of sustainable urban concepts. Appropriate planning and design is required to create sustainable urban areas.

Victoria and Melbourne in particular, are regarded as enjoying many attributes of sustainable urban development. Australian Urban Systems (AUS), an organisation of Victorian design and urban development companies, which has been providing advice and undertaking a number of urban development projects in China, notes that:

The AUS Cluster of companies have been selected to cover the range of skills reflective of best practice drawn from the Victorian experience. The capital city of Melbourne is successfully repositioning itself as a liveable and sustainable centre and a leader in the new knowledge based economies. With its blend of European and American influences, Victoria is a useful model for a practical approach to sustainability for China.⁵

One issue is whether sustainable urban concepts differ from the idea of sustainable development more generally. Sustainable development is defined in many ways but broadly refers to development that meets the needs of the present without compromising the needs of future generations. It therefore has a temporal or intergenerational focus.

The link between liveability and sustainable development is not altogether clear. In some cases the two terms are used interchangeably, in other contexts liveability is regarded as being a subset of a sustainable region or city. Brook Lyndhurst (2004, p. 6) referring to the United Kingdom concludes that:

⁵ www.ausvictoria.com/english/index.php?option=com_frontpage&Itemid=1 (accessed 18 October 2007).

Our research suggests there is a general lack of discussion in the recent research and policy literature about the possible interplay between liveability and sustainable development. While each agenda is increasingly discussed in its own right, little attention is paid to whether they are mutually reinforcing or whether they potentially conflict. Indeed, in many instances we note that they are taken to be synonymous and interchangeable terms.

An issue for this inquiry is to explore the extent to which liveability and sustainability objectives are being explicitly considered and the ways they may be incorporated into urban development.

What are sustainable urban concepts and systems? What are the characteristics of such concepts? Does the concept only relate to new 'greenfield' developments or also to redevelopments of existing urban areas? Are there useful examples from Australia and other jurisdictions?

To what extent, if any, does the idea of sustainable urban concepts differ from other notions of sustainable development? Are there trade-offs between having a liveable urban area and a sustainable urban area? If there are, please provide examples. How can these trade-offs be identified and taken into account in the planning and development process?

What, if any, is the link or relationship between sustainable urban concepts and general planning and development regulation, such as that affecting transport, future land use or environmental controls, etc? In what ways, if at all, does existing planning regulation support or hinder the development of sustainable urban concepts? Is it possible to provide examples from Victoria or other jurisdictions?

2.7 How can we enhance Victoria's liveability?

The terms of reference for the inquiry direct the Commission to identify opportunities for government action to enhance the liveability of Victoria — while taking into account sustainability issues — and suggest ways of overcoming any challenges faced in realising these opportunities.

2.7.1 The role of government in enhancing liveability

A starting point for considering the role of government is therefore to explore which aspects of liveability can be influenced by government action or policy. Some aspects of liveability are subject to control or influence by a higher level of government, in the Australian case by the Commonwealth Government. The State government will have only an indirect level of influence on, for example, immigration or national monetary policy. The Commonwealth Government should, however, be receptive to the impact of its policies on Victoria's liveability.

Both state and local governments will be able to influence various elements of liveability. At the broadest level, governments put in place the regulatory,

institutional and legal framework within which society functions. At the more direct level, state and local governments may be responsible for the direct provision of infrastructure such as roads and physical facilities as well as services, such as health, education and crime prevention.

Victoria is fortunate in having a relatively settled and well enunciated system to manage the distribution of decision making between state and local governments. However, problems can still arise, including inconsistency and duplication of effort. For example, in its inquiry into regulation and regional Victoria in relation to planning, the Commission noted that:

Inquiry participants drew attention to inconsistencies between state and local government policies, and between decisions made by different councils on essentially similar planning matters ... (VCEC 2005, p. 109)

In terms of the broad economic and legal framework, the role of government is to provide a framework which provides certainty and stability to allow business and community activities to take place. This framework, as far as possible, should not unnecessarily hinder individuals' ability to make choices which best suit them. Ultimately, individuals are best placed to make choices which enhance their own well-being.

Governments can support this by ensuring the regulatory, institutional and legal framework is receptive to the demands of citizens, and has the flexibility to respond to changing community aspirations and needs. In terms of the government's regulatory role it should:

- ensure that new regulation is developed according to principles of good regulation
- directly address any unnecessary regulatory impediments to achieving the level of liveability desired by the community.

In some cases direct government intervention may be required to correct for market failures or for equity reasons. This may include a need for government to be involved in the direct provision of goods and services to the community — such as health and education facilities.

A challenge for government is to try to focus on the underlying problems which are adversely affecting liveability, rather than simply trying to overlay a range of short-term measures. The Organisation for Economic Cooperation and Development (OECD) has warned that:

The neglect of long-term policy could lead to the dualism of image and reality, where city promotion strategy simply becomes a 'carnival mask' that creates the impression of regeneration and vibrancy within cities, but, in reality, does nothing to address the underlying problems that necessitated regeneration

programs in the first place. Such a situation is what urban policy planners should avoid. (OECD 2007, p. 12)

In what ways can the Victorian government influence the liveability of Victoria? Should the impact on liveability be an explicit consideration in the policy formulation process? If so, at what stage of the process should it be considered and how? In what ways could the Victorian Government increase its contribution to liveability in Victoria?

How can the Victorian government best manage its interface with the Commonwealth government to enhance liveability in Victoria?

How well do decision making processes, at both state and local government level, recognise liveability consequences of policy action? Is there scope to improve coordination between the state and local governments in relation to the delivery of policies designed to enhance liveability? If so, what actions should be taken and by whom?

2.7.2 The Commission's approach

There are many aspects of liveability that could be subject to the inquiry — but the Commission will need to focus on a limited number of areas. The Commission, therefore, is developing a set of criteria to help focus our (and participants') attention. Possible criteria are:

- What issues or aspects of liveability are important to Victorians?
- Can the Victorian (or a local) government influence this aspect of liveability?
- What interventions or actions are likely to have the largest net positive impact on improving liveability?
- What are the key connections between liveability and businesses' investment decisions?
- What aspects of liveability can contribute to improving Victoria's competitive position?
- What aspects of liveability would seek to meet both community needs and business competitiveness concerns?
- Has the issue already been subject to a recent review or substantial policy initiative?

The Commission's initial view is that the following areas are likely to meet these criteria and contribute to the enhancement of Victoria's liveability and hence could form the starting point for the inquiry:

- Housing affordability and access to services — including both the affordability of purchasing or renting a home. The Commission could collect data to help clarify the nature and extent of the issue and identify those most affected. The analysis would also examine the underlying causes and make policy recommendations.

- Transport issues — is an important issue for many Victorians. A significant amount of work has already been done to examine transport issues and suggest reforms. The Commission itself has examined the issue of transport congestion (VCEC 2006). The Commission could extend past work by investigating whether there is new data available, or whether new issues have arisen which were not addressed in the previous reviews. In addition, the Commission could investigate whether past recommendations have been actioned and how effective these have been.
- Planning approval processes and sustainable development — the Commission could examine the extent to which past reforms have improved processes by ensuring more effective and cost effective decision making and implementation processes. Planning issues are also linked to the issues of sustainable development and housing affordability.
- Law, order and public amenity issues — including an exploration of the data on public safety and amenity issues (such as noise and drunken behaviour in inner city areas) and possible policy responses which would enhance liveability for both local residents and visitors.
- Local communities and cultural opportunities — including an examination of how the Victorian and local governments can remove impediments or help build community activities and facilities that enhance liveability. The analysis could include an investigation of how cultural, artistic and recreational facilities are distributed across communities, including in provincial areas. The Commission could also examine how well cultural and community capabilities are factored into competitiveness considerations.

These areas could be used as case-studies in the report. However, as noted earlier the Commission will be guided to a significant degree by submissions and issues raised during consultation with stakeholders and interested parties.

Are the criteria being suggested by the Commission appropriate for ensuring the Commission focuses its attention on areas where it can maximise its contribution? Are there other criteria that should be included? What should be the relative importance assigned to each of the criteria?

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