

# VERIFIED VERSION

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into Effective Decision Making for the Successful Delivery of Significant Infrastructure Projects

Melbourne — 21 March 2012

#### Members

Mr N. Angus

Mr P. Davis

Ms J. Hennessy

Mr D. Morris

Mr D. O'Brien

Mr M. Pakula

Mr R. Scott

Chair: Mr P. Davis

Deputy Chair: Mr M. Pakula

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Ms A. Gaffney, Acting Chief Executive Officer, and

Mr T. Fricke, Executive Board Member, Committee for Melbourne.

**Necessary corrections to be notified to  
executive officer of committee**

**The CHAIR** — I declare open this committee hearing on the inquiry into effective decision making for the successful delivery of significant infrastructure projects. On behalf of the committee I welcome from the Committee for Melbourne Ms Andrea Gaffney, acting chief executive officer, and Mr Tom Fricke, executive board member. Members of Parliament, departmental officers, members of the public and the media are also welcome. In accordance with the guidelines for public hearings I remind members in the public gallery that they cannot participate in any way in the committee’s proceedings. Only officers of the PAEC secretariat are to approach PAEC members.

In accordance with the guidelines for public hearings I remind members of the public gallery that they cannot participate in any way in the committee’s proceedings. Only officers of the PAEC secretariat are to approach PAEC members. Officers as requested by the acting chief executive officer can approach the table during the hearings to provide information to the acting chief executive by leave of myself as Chair. Written communication to witnesses can only be provided via officers of the PAEC secretariat.

Members of the media are also requested to observe the guidelines for filming or recording proceedings in the Legislative Council committee room, and no more than two TV cameras are allowed at any one time in the allocated spaces. May I remind TV camera operators to remain focused only on the persons speaking and that panning of the public gallery, committee members and witnesses is strictly prohibited. As previously advised to witnesses here today, I am pleased to announce that these hearings are being webcast live on the Parliament’s website.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act, attracts parliamentary privilege and is protected from judicial review. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. This committee has determined that there is no need for evidence to be sworn; however, witnesses are reminded that all questions must be answered in full and with accuracy and truthfulness. Any persons found to be giving false or misleading evidence may be in contempt of Parliament and subject to penalty.

All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript to be verified and returned within two working days of the hearing. Verified transcripts and PowerPoint presentations will be placed on the committee’s website within two weeks of this hearing.

Following a presentation by the acting chief executive officer committee members will ask questions relating to the inquiry. Generally the procedure followed will be that of questions in the Legislative Assembly, but it is much more courteous, I can assure you. I ask that all mobile telephones be turned off. I now call on the acting chief executive officer to give a brief presentation of no more than 4 minutes, if desired.

**Ms GAFFNEY** — Thank you very much for the opportunity to be here with you today. My name is Andrea Gaffney. I am the acting CEO of the Committee for Melbourne. Tom Fricke is one of our executive board members. Perhaps I could just ask Tom to introduce himself.

**Mr FRICKE** — Thank you, Andrea. Thank you for the opportunity, chair and members. In my day job I am an executive manager at GHD, a major consulting firm in infrastructure, and I have 40 years experience in the consulting and engineering field, specialising in infrastructure. Today I am “wearing my hat” as an Executive Board member of the Committee for Melbourne. I have been a board member of the Committee for Melbourne since 2006. In that role I was Co-chair of the Melbourne Beyond 5 Million Task Force that the Committee for Melbourne established in 2010. We produced three reports, which I think you would have received copies of as part of our testimony. As a Co-chair, I was principally responsible for Volume 3, which dealt with infrastructure. I thought I would just set that scene in terms of my background in the infrastructure space, and as I say, I am here “wearing my hat” as a Committee for Melbourne board member.

**Ms GAFFNEY** — By way of introduction, the Committee for Melbourne is a 27-year-old organisation. We represent 150 members — a diverse group of organisations from the private sector, academia and civic institutions. We have as representatives in our organisation multinationals, nationals and not-for-profit organisations, all of the Melbourne-based universities and most of the consulates that are based here in Melbourne. We look out beyond the election cycle, so our remit is out to the interests of the next generation of Melburnians. We look out to the next 50 years, if you like, in terms of Melbourne’s development from an economic, environmental and social perspective.

As Tom said, a number of years ago now the organisation developed Melbourne Beyond 5 Million and Shaping Melbourne reports, and in that work we had a look at the population growth associated with Melbourne. In 1960 Melbourne's population was approximately 2 million, today it is 4 million and in 2060 it is likely to be 8 million. Therefore the challenge for Melbourne is how does it get better as it gets bigger? How do we enable the mobility movements from both a commuter and a freight perspective to happen efficiently and effectively? Where are the opportunities for urban densification, not necessarily just out on the fringes of the urban growth boundary?

We believe there is a significant infrastructure backlog in Melbourne to the tune of \$100 billion, and that price tag has increased over the last decade. That infrastructure backlog is significantly impeding Melbourne's productivity, and without appropriate interventions it will also impede Melbourne's livability. In accord with the VCEC findings we estimate that the congestion costs associated with the lack of infrastructure spend is about \$3 billion today. That is likely to balloon out to \$6 billion by the year 2020. As a consequence, we need to ensure that we have appropriate infrastructure, the pipeline essential to secure Melbourne's livability, productive capacity and also its competitiveness.

Similarly we also support the notion that there should be an independent infrastructure body to assess the appropriate prioritisation of infrastructure, and we believe that the development of a plan should be looking out to the next 50 years. It should be a long-term aspirational plan, not just necessarily looking out to the next 10 years or thereabouts. Also in conjunction with that, we need to start thinking about the necessary land corridors that need to be founded today. We need to make those provisions to enable the appropriate infrastructure to be laid on the ground. That is all I would like to say at the outset.

**The CHAIR** — Thank you. That is a fair bit you have said. My objective during the remaining time for this hearing is to allow you the opportunity to elaborate essentially on the themes of your presentation and written submission, and I guess the objective of the committee will be to try to draw that out a bit. I should preface my remarks by saying this is an inquiry that is focused on how to better, more effectively and efficiently deliver the infrastructure which in a generic sense you have described as an aspiration. We talk about infrastructure deficits being of the order of 100 billion or whatever it happens to be in 50-year horizons. At the end of the day, the government, and collectively the Parliament, is seeking to drive improvements in the way that infrastructure is developed.

Our focus has been very much around the issue of understanding what the attributes are within the government sector that will allow that to occur by way of skills, in simple terms. What is it that we do well, and what is it that we do not do as well? My questions really go to that issue. I am interested in the argument around an independent infrastructure body — whatever it is called is academic — and what does that really mean in terms of the interface with government, given that evidence led this morning suggested that at the end of the day it is up to governments to make rational decisions about resource allocation and be accountable for those decisions. You cannot contract out what are contestable decisions. Whatever decision you make about resource allocation is contestable. Would you like to develop that theme a little?

**Mr FRICKE** — Yes. Perhaps if I could lead off on that one, chair. It is in the context of your earlier comment about the capacity within government to deliver major infrastructure projects. My observation would be that we have very good people in government working diligently in their own areas of infrastructure, but they are, in my view, hamstrung by three key “environmental” factors. The environment in which they operate constrains them. There are good people working away; they can access good skills from the private sector, and they do. But in the framework within which they are working — that is the term I was thinking of — in my view, the lack of a long-term land use master plan for greater metropolitan Melbourne means our infrastructure bodies, our utilities, are working in a framework that is a bit like a vacuum. They do not have a road map to work to for the long-term. So they are making the best decisions they can, but they are all short-term decisions; there is the not the long-term thinking because there is no environment to encourage long-term thinking.

Fundamentally, we need a vision for our city which looks at things like if we are to grow to, say, 8 million people, where are people going to be located, in what sort of density are they going to be housed and what sort of facilities do we have to think about now so we can provide them cost effectively in 10, 20, 30, 40, 50 years time and, as Andrea said, set aside the corridors of land to provide for that.

Associated with the land use plan for the next 50 years is then a 50-year infrastructure plan. Other jurisdictions, elsewhere in Australia and internationally — and we have looked at a number of them — have long-term plans for not only their city and their population but also their infrastructure. That is the second missing link.

The final missing link, which I think makes it very difficult for our infrastructure practitioners, is the lack of adequate capital to implement what they would like to implement, because funds are very tight. We know that most governments of today are very conscious about not increasing borrowings excessively and balancing budgets, but in our view there is a terrific role for the private sector to assist in the financing of major infrastructure projects.

So I think the skill sets in government plus those available from the private sector are pretty good, but they are hamstrung by not being able to take a long-term view of things and hence deliver what I call an optimal outcome rather than a lot of short steps. We need a vision for our city, for greater Melbourne, which some form of greater metropolitan planning authority, or something along those lines, could achieve.

I have been looking at what they do in Singapore. They have a 50-year vision for their city over the next 50 years. Within that they have a series of 20-year master plans, and they review them every five years. They are working to a narrative as to what they think and would like their city to be, and it has a similar population to ours.

That then leads onto the concept of infrastructure. We have organisations, departments and utilities all beavering away in their own areas of infrastructure speciality, whether it be roads, electricity, gas, ports or airports. They are all doing a good job, but our view at the Committee of Melbourne is that no-one is actually integrating that into a cohesive story and narrative about what the city should look like in terms of its shape, extent and density of development.

A number of other states in Australia, the UK and parts of Canada that we referred to in our submission have set up infrastructure coordinating commissions and infrastructure planning authorities. Our view is, and I think it is particularly appropriate given we have an all-party committee here, that this body should report preferably to Parliament as distinct from government. What we need is an all-party commitment to a long-term vision for the city — that is, greater metropolitan Melbourne — and that vision should then have buy-in from all parties so that it is a vision that sustains itself beyond the electoral cycle.

Government will have the opportunity to do what it wishes to do in terms of its political aspirations but still within a broad vision into which all parties have said, ‘That sounds about right for what we want Melbourne to look like in 2060.’. So I think it is terrific to have this opportunity to talk to an all-party group as distinct from just one side — the government, opposition or other political parties.

If I could make one final comment on the financing side, I think there is a real opportunity for the Department of Treasury and Finance to work with bodies like the Committee for Melbourne. We have a number of members from the major superannuation funds who are looking for opportunities to invest in a stable stream of revenue afforded by well-thought-out infrastructure. Most of the major Australian superannuation funds are headquartered here in Melbourne. That is a real opportunity for us. We have actually got Canadian infrastructure funds investing in our infrastructure, but not our own funds, so I think there is a real opportunity for the Department of Treasury and Finance, brokered perhaps by the Committee for Melbourne or some of our members, to sit down with the superannuation industry and work out a stream of projects in which the superannuation funds could invest to help free up some capital for the government.

**The CHAIR** — Thank you. It is always very difficult when we are dealing with long-term concepts to tease out the implications in terms of the delivery of them. I am going to play devil’s advocate here, and unfortunately we are live to the web, so somebody might choose to take what I am saying out of context. But I will frame it by saying: essentially a proposition in simple terms — in the simplest way I can describe it, which you have just advanced to the committee — is that a group, a body appointed we do not know how yet, external to government, that is not a government body, should take the responsibility for the whole of the community decision making to lay out a plan or whatever you like to call it, that would bind contemporary governments for the very long term. In other words to — —

**Mr PAKULA** — Take the politics out of infrastructure.

**The CHAIR** — No, I want to get there — ignore the contestability of the decisions of resource allocation, which is where I started my discussion with you at the outset when I raised the question. I am picking up on threads that were given to us in evidence today, which is that no matter how you define it, most of these infrastructure decisions are contestable. The form, the nature, the priority or whatever it happens to be, there is a contestable debate going on around them. Governments are elected to make decisions and have to be accountable for decisions. You are positing a proposition that there should be an unelected — because we do not know how this body is going to be created — group of, presumably, experts who are not just going to give advice, because I do not think that is what you conceive. You are not talking about an advisory body; you are talking about a planning body.

**Mr FRICKE** — I am talking about two groups. There is a greater planning body to set the vision for the city, and that planning body, having set that vision, has set it as part of a broad community consultation program. We have got to bring the community with us here, because we need a discussion community-wide about a very important word, which is ‘density’. The density of the development of our city is a crucial issue for us. Do we want it to keep going out and out in low density, or are we going to have, in selected locations around our community, activities districts of perhaps medium density where we can focus more people close to employment opportunities and things like that.

We need a community-wide debate about what we want our city to look like, led by a metropolitan planning group of some sort, fully involving the community in its consultation. That then paints the vision for the city of greater metropolitan Melbourne potentially up to 8 million, but then the infrastructure still would be delivered by the existing organisations but overseen by an advisory group which we have called an ‘infrastructure commission’. It is an advisory group that does not actually do the infrastructure but ensures that the infrastructure that is implemented hangs together as part of a strategic and coherent long-term plan. As I have mentioned to you, there are examples all around the world where that is working successfully as an advisory group to the government of the day.

**Ms GAFFNEY** — Indeed, if we reflect back on what has occurred up in the Gold Coast of Queensland, there is a body there that has looked at the implementation and development of the Gold Coast light rail project. That draws upon the experience of both the state government, the local government and also the private sector. I think what Tom is referring to is: yes, there needs to be a planning body established to look out for the interests of Melbourne’s development as a metropolis, but in a better governance arrangement to complement that in terms of the way infrastructure is rolled out. That infrastructure body could comprise various organisations such as the private sector and also the state and local governments, depending upon what the infrastructure was that you were looking at.

**The CHAIR** — Thank you but I am just going to pursue this slightly further before I throw to the deputy chair for a question. I am interested in this issue from the point of view of two aspects. My brief is to try to draw it out, so do not take what I am saying as a criticism; it is not intended that way. In evidence earlier today from the department of planning we were advised that there have been more than 20 plans for the greater Melbourne area since 1954, since the creation of the MMBW. That is the advice we have received.

When we start talking about planning, it always comes down to resource allocation, and what I am trying to get to here is the role of interfacing experts from the non-government sector — from the private sector — giving advice in a manner which will be helpful to government to allocate resources more effectively.

My question is about trying to distil whether we have a high-level body which has that planning function that you have outlined or in fact we have not quite such an empowered body giving advice directly through DTF to government; and those are different models. It amounts to the same thing, which is to get a long-range view about how we can better do the spend of resource allocation in a more effective manner. My view about the planning issue is that it does not matter about the plan if there are no resources to be allocated to it. You can have the best plan and no resources, so that is really our challenge in this.

**Mr FRICKE** — The committee does not have a prescriptive view as to what the model should be? Our motto is ‘Ideas to Outcomes’. We are more focusing on what is the outcome at the end of the day, and the outcome that we think is missing here is the long-term plan for our city for the next 4 million people, of whom 2 million are going to be located, on current expectations, to the west of Melbourne. That is another half of Melbourne somewhere out west, and we have to plan for them. Melbourne, in our view, can get better as it gets

bigger but only if we plan for it. Whichever mechanism or body, we are pretty relaxed about it, as long as someone is thinking long term, not just for the next 5 or 10 years.

The most recent plan was Melbourne 2030, and then it became Melbourne @ 5 Million, and that is probably going to be only 10 years away. That is a very short time frame in terms of infrastructure. A lot of our big infrastructure, and we are talking about major infrastructure here, can take typically five years to implement, and it is sometimes up to 10 years to plan and implement. We have got a lot of good short-term thinking, but we would like to see more long-term thinking via a mechanism that we are pretty flexible about.

**Mr PAKULA** — I am happy if either you, Mr Fricke, or you, Ms Gaffney, deal with this, but I noted your comment, Ms Gaffney, at the start about an infrastructure deficit of \$100 billion. I wonder about the efficacy of numbers like that, because they can create an impression that some problems are insurmountable, particularly in an environment where you are talking about a state government total budget of something like \$40 billion per annum and a surplus of, in an average year, maybe \$300 million. You are talking about 300 years worth of budget surpluses in order to deal with your infrastructure deficit.

Mr Fricke, you made some reference to the private sector being involved. It will not be involved to the tune of \$100 billion unless it can extract significant concessions, whether it be from government or from taxpayers. I am wondering how you propose that \$100 billion deficit be funded?

**Ms GAFFNEY** — Thank you for the opportunity, Mr Pakula, to address you. I think the opportunity is to put on the table not just the appropriate plan and vision for Melbourne's development over the next 50 years but in concert with that reflect on the opportunities to creatively enable the private sector to get involved in financing. Tom has spoken about superannuation and opportunities for us to use superannuation funds to get some of these infrastructure projects off the ground, but there are also opportunities to consider hybrid funding models whereby you would have the federal government, the state government and local government all contributing to the development of necessary infrastructure.

**Mr PAKULA** — I understand when you talk about hybrid funding models, particularly when you talk about super funds, but they only invest when they get a return. So when you are talking about public infrastructure, how do you say the private sector receives a return in order to fund what you say is tens of billions of dollars of infrastructure?

**Mr FRICKE** — Perhaps if I could comment on that, Mr Pakula. The PPP model has been used with a fair degree of success in Victoria but perhaps less so in New South Wales and Queensland. I think the fundamental flaw in some of the projects up north has been the unreliable forecasts of demand that have been used for a number of those PPP tollway projects which have made it actually very difficult for the project to be self-financing.

I have a suggestion in this regard about how we can make PPPs work better not just in Victoria but in other states for that matter. Super funds are very conservative in how they go about their investments. They like long-term investments, but they like reliable revenue streams, because that is what they are in business for —

**Mr PAKULA** — And APRA is pretty determined that they will have revenue streams.

**Mr FRICKE** — They must. We will all be drawing on our super some day, won't we? We all have a vested interest in it. I think the missing link here is — the idea I have: let us say it is a tollway. One of the big risk elements for a superannuation fund is what is the traffic demand going to be on that, and how much can they collect in toll revenue? My suggestion is this: what if the government borrows the money, builds the asset, and operates it for, say, a couple of years as a toll facility, by which time there is a track record of use at a certain toll rate and a proven income stream, and then offers it to the private sector at a price which will return the government's capital at least, and the private sector will show much greater interest in it, because there is a proven revenue stream.

That will attract superannuation funds far more than one where someone has just had a bit of a guess at what the traffic might be and what the income may be. The government then sells that, gets back its X billion dollars and either uses that to go into consolidated revenue or uses the X billion dollars for the next project. You can actually get through it in that manner.

The government only exposes itself by a certain amount each time, but if it is a well-thought-out and well-planned project — and this is part of the long-term plan — where we know there is going to be demand and runs it for a couple of years so the demand is proven, then there will be a lot more interest in the private sector, particularly superannuation funds. They have got not just billions but trillions available, but they need to have many of the risks taken out for them as superannuation funds.

**The CHAIR** — My comment would be that that model presumes that the government — that is, the taxpayer — accepts the risk, in effect.

**Mr FRICKE** — That is right.

**The CHAIR** — And that the private sector does not share the risk which is the converse of the way of the model we are presently using to deliver projects.

**Mr MORRIS** — I refer to your response to terms of reference (d) on page 5 of the submission. You make what is essentially a statement that says, and I do not dispute it, that:

... in the case of some projects delivered via the PPP process, commercial issues have tended to restrict the degree to which public transparency and accountability ...

can be achieved.

I think that is probably a fair comment, but I did not detect any thoughts on the part of the committee one way or the other about whether they thought this was a good thing or a bad thing. I would be interested to hear your comments on that, but I would also like to take it a step further. Perhaps Mr Fricke from his day-to-day employment may have a comment to make as well. That is, we have had testimony from the Auditor-General, who is keen and has been keen for a number of years to have the power to follow public dollars going into PPPs — not into the whole operations of the providers but to be able to pursue the discreet area of a particular PPP. At the moment he is not able to move effectively beyond the public sector. I would be interested, firstly, in having you perhaps flesh out one way or the other that comment, but secondly, if we are going to go down this path and embrace PPPs to a far greater degree, how is the public interest maintained?

**Mr FRICKE** — I can take that one, and then Ms Gaffney may also come in and comment. I think the committee would like to see a greater degree of transparency than is there at the moment. How far that should go I am not sure, but a lot of these projects are wrapped around a commercial-in-confidence bubble, if you like, no doubt for good reasons for the participants involved, but it does make it harder to sell to the community that this is a terrific deal for the taxpayer, because it is a bit obscure. I think there ought to be an ability to perhaps make things a bit more transparent on individual projects.

I think another way of contributing to transparency in the broader sense of a range of projects would be if the government was able to develop a pipeline of forward projects and take both the community and the construction industry into its confidence and say ‘This is what we are planning to do for the next 4, 5 or 10 years. Here is our pipeline of projects. You guys gear up for this, because there is going to be a lot of work. You have got good skills around. Here is an opportunity for you guys to position yourselves and here is the nature of the projects we are looking for’ — articulate the projects rather than saying it is a road from A to B; actually flesh out and develop the projects to the extent that they can be described to the construction industry and to the community at large.

The community is going to see the benefit and the value in it, and the construction industry can see an opportunity for themselves. This whole question of a pipeline of projects I think will improve the confidence in the PPP model. It is a bit shrouded at the moment, and a lot of people do not fully understand how it all ticks.

**Mr MORRIS** — The point about the Auditor-General having the power to follow the money into the private sector, do you have a view on that?

**Mr FRICKE** — I do not have a view on that myself. I do not know whether the committee has actually put its mind to that.

**Ms GAFFNEY** — No.

**Mr FRICKE** — No, we have not put our minds to that particular angle.

**Ms HENNESSY** — Thanks very much for your presentation. It has been quite thought provoking. I was wondering if you had a view around what the role of local government ought be, assuming that we had an independent body that reported to Parliament around canvassing long-term infrastructure needs, a better integration around land use planning and infrastructure, and what formal role you saw for local government.

**Mr FRICKE** — I have seen calls recently — the concept of a single municipality for Melbourne, for example, has been floated a bit in the press, and I do not believe the committee is supportive of that model. We believe that local government has a very important role at the service delivery end in delivering all sorts of infrastructure, whether it be economic, physical or social infrastructure. But still, local government, like the infrastructure providers, the utilities, needs a framework within which it can do what it does best, which is to provide services to individual households and ratepayers. I think the local government model itself is more than up to the task provided it has a strategic vision and a long-term plan within which to work.

**Ms HENNESSY** — Do you say that ought be set by the state, particularly when we are talking about issues of density — all of those issues which are usually the subject of local contest, shall I say — —

**Mr FRICKE** — Exactly right; but the grand plan — —

**Ms HENNESSY** — Or the ongoing tension and contestability between state and local, often around how we manage things like population growth.

**Mr FRICKE** — I think the grand plan for greater metropolitan Melbourne needs to be set at the state level.

**Ms HENNESSY** — At the state level and not local.

**Ms GAFFNEY** — I would just add to that that local governments have a key role to play in terms of identifying the issues within their own backyards and also identifying the opportunities to overcome those issues. They have a clear role to play in terms of the interface between the community and the state government.

**Ms HENNESSY** — Given that you asserted infrastructure deficit — and we have talked about some of the innovations that have occurred in places like Canada and the UK and using superannuation funds around PPPs — do you have a more fundamental view around a financing model for infrastructure as opposed to financing options such as tax, GAIC?

**Mr FRICKE** — I think if we are to deal with the infrastructure backlog Mr Pakula was talking about, a certain degree of that backlog will have to be met by some form of user-pays funding, which is effectively either a tolling mechanism if it is individual users or the model currently being used for the Peninsula Link, which is an availability charge. But again it is a charge back to the taxpayer in that case, as distinct from the user. A lot of our infrastructure we actually pay for the use of at the moment. We pay for the use of the airline network, for example, and we pay for the use of shipping. So I think if we are going to overcome this backlog of many billions of dollars, there will be an element of user contribution in some form or other, whether it be by a user charge or — —

**Ms HENNESSY** — Does the committee have a view on things like intergenerational equity, given we live in an era of political surplus importance?

**Mr FRICKE** — Most definitely. The committee's view is that wise investments in infrastructure that will improve economic productivity should be made now rather than putting them off for our children and our grandchildren. The legacy I think we owe to succeeding generations is not to leave them with a backlog. It is not as though any particular party has caused a backlog; it has just built up over the years over a succession of state governments.

**Ms HENNESSY** — Unpredicted growth, things like that.

**Mr FRICKE** — Yes, and Melbourne is growing so rapidly that its population is forecast to overtake Sydney's in around 2030. We are a rapidly growing city.

**The CHAIR** — A brief question from Mr O'Brien because we will be shortly out of time.



**Mr O'BRIEN** — I have seen your work and I agree with a lot of what you say about a long-term vision and a long-term need to coordinate with infrastructure, because obviously the question is about how. I note in your presentation one word you repeat, and it is in your charter in a sense, is 'Melbourne' instead of 'Victoria'.

A city cannot eat without food. We are already probably the most urbanised country in the Western world. Singapore and perhaps the Vatican City are more urbanised. I will put one concept to you: to a certain extent what may be the best infrastructure spend for Melbourne is in part to spend in regional cities, to take population pressures off. Based on work commissioned from Essential Economics, Regional Cities Victoria has estimated that if 50 000 people were settled in regional cities rather than in Melbourne, the cumulative cost of providing that infrastructure would be about \$1 billion, as opposed to \$3.1 billion if they were settled in Melbourne. This is hard because you are the Committee for Melbourne. There are also committees for Portland, Bellarine and Geelong, which I know you work with. But in terms of the call for a longer term infrastructure plan, would you also identify that that needs to spread itself out and in a sense look beyond Melbourne's borders?

**Mr FRICKE** — Definitely. In fact the Committee for Geelong, with which we work closely, is working on its plan. I would not be surprised if the Committee for Geelong calls its plan 'Geelong at 500 000' or something like that. It is looking at significant growth in Geelong. I think as Melbourne grows west and south-west we need to focus very much on Geelong, which is not only growing south-west itself but also growing north-east up the highway.

We have the two cities coming together potentially in the longer term. We need to have a sensible discussion and debate at community level. Do we want to maintain those two cities as individual cities in their own right, or is there an aspiration that they become one large city? That is a debate that eventually will have to be held. Equally one could say that perhaps Melbourne should be somehow — I am not too sure how — restricted to a certain population, then further people coming to our state should perhaps be encouraged to go to Geelong, Ballarat or Bendigo. However, we must be certain that those people not only have housing and infrastructure but also have employment. That is what the big magnet is for Melbourne — that Melbourne has the employment opportunities.

We have talked in some of our reports about sensible relocation of major government entities to regional cities to provide and attract employment. The TAC relocation to Geelong is one example of that. I do not see a great deal of benefit in Geelong becoming effectively a dormitory city for Melbourne. Geelong needs to develop its own economy in its own right and also employment opportunities.

Equally our concept in our report is that Melbourne should become a city of cities, or a city of villages if you like. We would have community activity districts around the inner and outer suburbs, each providing their own local city focus with employment opportunities, social facilities, libraries, museums and hospitals to minimise the need for people to travel in and out of the CBD every day. We have our CBD, and that will continue, but Melbourne would become a city of cities with smaller centres around the middle and outer suburbs, which in themselves would offer a degree of urban attraction and employment so that people are not travelling in and out of the city all day. Geelong equally should develop its own economic nucleus, and I think it is doing pretty well at that at the moment.

**The CHAIR** — Thank you very much. Unfortunately, we are out of time, so I would like to thank you both for your attendance. This concludes the hearing of the Committee for Melbourne. I thank Ms Gaffney and Mr Fricke for their attendance today. It has been a useful session. We would look forward to any further commentary you may have on this inquiry. If you would like to make a supplementary submission on the basis of any information you become aware of about evidence that has been led to the committee, we will be conducting further public hearings on particular case study projects at some stage. It may be that something comes out of those hearings which you are interested in commenting about. Thank you for your participation. We value your views. This closes the hearing.

**Witnesses withdrew.**