Melville to 2050

Intergenerational Local Government

Prepared for
The City of Melville

MacroPlan Australia Pty Ltd
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FINAL REPORT

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* This document is for **discussion purposes only** unless signed and dated by the persons identified.

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Strategic Overview

Intergenerational Report 2010 and Other Key Policies

The Intergenerational Report 2010 identified three key themes relating to the future of Australia over the next 40 years:

- **Population** – continued strong growth over the next 40 years at a slightly slower rate, couple with a major demographic transformation in the form of population ageing, will increase demand for and cost burden of Government services.
- **Productivity** – declines in the working age population to retiree ratio will mean that economic productivity will need to increase to ensure current levels of quality of life are maintained and improved in the future.
- **Participation** – to compensate for the ageing of the population, efforts to increase the participation of different segments of the community in the workforce must be undertaken. This includes reinforcing the existing trend of increased labour force participation of people aged 65+.

The Henry Tax Review report, A*ustralia's Future Tax System*, identified a range of key issues that will impact Local Government and its capacity to raise revenue through rates and charges:

- Reductions in role of stamp duty in State Government taxation will increase the prominence on Land Tax which will increase competition for Local Government and potentially lead to taxation exhaustion among the community;
- Local Government rates are an effective and reasonable tax that should continue;
- User Charging should be implemented in appropriate occasions as an effective cost recovery mechanism for Local Government and to provide key price signals to the market and community.

The National Health and Hospitals Network, currently excluding Western Australia, represents a major centralisation of acute care funding and management within the Australian health system. It also reflects greater levels of focus and attention on health by all levels of Government. Locations with strong exposure to health therefore possess the capacity to leverage increased Federal Government funding as well as capture the economic multipliers of health related expenditure.

Role and Function of the City of Melville

The City of Melville, based on current socio-economic characteristics, functions as a stable, gentrified inner metropolitan residential location with supporting retail, health, education and other population-serving sectors catering for residents of the City, surrounding Councils and, to a degree, southern parts of the Perth Statistical Division.

Its inner city location has attracted higher income households wishing to have strong access to Perth CBD employment opportunities, quality retail and health offerings while residing in established separate housing. Such households are characterised by an above average share of white collar workers (reflecting CBD access) and the location is also attractive to overseas migrants.

Approaches to Urban Development

These two approaches are summarised below:

- **Planned Evolution** – City of Melville facilitates the evolution of the municipality through the effective and strategic application of policies, strategies and powers to promote changes in the urban form and network across the City of Melville. This approach will be characterised by more decentralised densification of built form, particularly along major public transport routes, as well as the creation of new centres and nodes of activity. The city plays a facilitation role by providing the appropriate regulatory environment and investment certainty to promote and incentivise urban form evolution through private sector urban development;

- **Precinct-Based Urban Renewal** – the City of Melville actively engages in Precinct-based urban renewal activities, similar to that engaged by the Brisbane City Council in Queensland, to revitalise dilapidated Centres and precincts that have not received sufficient private sector investment, for whatever reason, to effectively evolve in response to key drivers. This approach is contingent on the availability of low value, vacant or underutilised sites, with the city playing an active, lead role in promoting development.

MacroPlan considers ***the Planned Evolution model to be superior*** in achieving the desired outcomes of Local Government and in responding to changes in the key drivers of urban development. The facilitation approach has a much lower risk profile for the city and leverages heavily on private sector development.

In contrast, the Precinct-Based Urban Renewal model requires active participation by the city in the development process with an associated increase in risk. Locations subject to renewal are invariably limited to areas of Local or State Government control (Government land/facilities etc) which may not represent the optimal location for changes in the urban form of the municipality. Also, the Renewal Model works most effectively in large, semi-industrial locations that are either vacant or underutilised so that there is sufficient value uplift in the redevelopment to justify the risk.

In reality, it is expected that a combination of these models will be applied and vary from location to location within the municipality. However, successful application of the Planned Evolution Model can facilitate the application of the Precinct-Based Urban Renewal Model by enhancing the level of private sector involvement (through PPPs and private sector identified- renewal opportunities) and therefore decreasing the risk profile for the city.

Key Themes

These are based on the review of the Intergenerational Report and other key policy and strategy documents and the key lifecycle and trajectory trends of the municipality. MacroPlan has identified the existence of six key themes. These include:

- **Population and Migration -** reflecting the growth in population projected in the Intergenerational Report 2010;
- **Wealth, Health and Ageing** - reflecting the impact of population ageing;
- **Housing, Affordability and Density** - the built form and housing impact of the combination of population growth and ageing in the municipality;
- **Transport, Congestion and Mobility** – reflecting the role of transport infrastructure in supporting productivity improvements. Also reflects the trends of work movements of people to, from and through Melville and the role of traffic congestion on the development of new activity centres and precincts;
- **Economic Centres, Precincts and Nodes** - reflecting the need for increased productivity and economic activity to counter a reduced tax base from population ageing; and
- **Community Facilities and Technology** – reflecting the change in the demand for community facilities and services as a result of an ageing population as well as the transformative effective of information and communication technology infrastructure, delivered to improve economic productivity, on service delivery.

Conclusions and Recommendations

Recommendation 1	Monitor the age profile of residents in the municipality over time to ensure that current over-exposure to the risks and negative impacts of an ageing population are mitigated. This could include increased population growth into the municipality, particularly among working age households.
Recommendation 2	Identify opportunities for service delivery efficiencies by Council reflecting the growth of the resident population and reaching of key critical mass thresholds (100,000+).
Recommendation 3	Actively seek to capture the multiplier benefits of major investments such as the Fiona Stanley Hospital and Murdoch University to induce diversification of the local economy. This can be achieved through effective Master Planning to promote a mix of uses including commercial office, residential, retirement, accommodation and retail activities.

Recommendation 4	Investigate mechanisms for dealing with Asset Rich/Cash Poor households in the municipality in terms of the affordability of rates and charges payments. This can include: • Superannuation-style rates schemes; and • Accruing rates deferral schemes.
Recommendation 5	Diversify the rates base of Council to create a better balance between residential and non-residential sources. This will reduce Council exposure to the future volatility associated with the ageing of the population and increased competition from State Government Land Tax with the decline of Stamp Duty revenues.
Recommendation 6	Investigate the capacity to leverage off major commercial developments such as Canning Bridge and Murdoch Activity Centre to catalyse precinct-based residential density.
Recommendation 7	Adopt a ***planned evolution*** based approach to urban development to facilitate non-precinct based density along major public transport routes.
Recommendation 8	Development of a ***Housing Strategy*** to: • help manage the diversification of the housing stock in Melville over the next 10 years • to address supply constraints in the municipality while preventing future investment-led oversupply; • provide opportunities for older households to cash-out of the family home and downsize to more affordable local housing product (units and townhouses).
Recommendation 9	Investigate appropriate parking space levies and supply ratios within the municipality through the development of a contextualised and visionary ***Car Parking Policy and a Traffic/Transport Strategy.*** .
Recommendation 10	Facilitate improved movements within the municipality through the development of enhanced local pedestrian, cycle and secondary public transport networks. This will counter increased congestion resulting from the regionalisation of activity centres and destinations within the City of Melville.

Recommendations 11	Support and encourage investment in commercial office floorspace at key traffic intervention points in the municipality to: • support diversification and growth of the local economy; • provide cost-effective opportunities for local businesses to expand and grow; and • encourage higher levels of employment self-sufficiency.
Recommendations 12	Interface with the State Government to attempt to capture benefits of the State Government's department decentralisation policies.
Recommendation 13	Investigate the appropriate level of differential rates for application to non-residential/commercial activities within the municipality to: • account for non-resident worker draw down on infrastructure and facilities; • Ensure that the differential rating structure recognises the additional net cost burden placed on the City by commercial premises.
Recommendation 14	Investigate appropriateness of Special Area/Benefit Levies for major infrastructure and precinct investments where the benefits of such investments in terms of business profitability and land value uplift over time are clearly demonstrated to the business community and stakeholders.
Recommendation 15	Investigate shift in recreation facility/space provision to dedicated built forms (basketball/tennis courts etc) to: • Reduce exposure to major cost increases in water and energy; and • Reflect a shift in the demand for recreation from active to passive in response to population ageing.
Recommendation 16	Apply appropriately priced User Charges for non-resident use of the municipality's sports and recreation spaces and other community facilities. Pricing should reflect cost base of the facility/service in line with taxation principles.
Recommendation 17	Integrate technology into Council operational and community facility service delivery including Libraries, Council offices, youth and community centres. Leverage off investments in the NBN Co

Recommendation 18	Investigate options to collocate community facilities with other major activities and uses in the municipality including health, education and retail centres to generate trip-linking opportunities for residents and capture cross-visitation benefits.

1 Introduction

1.1 Project Purpose

MacroPlan Australia ("MacroPlan") was engaged by the City of Melville to undertake research and analysis of the impact of the recently released *Intergenerational Report 2010, Australia to 2050: Future Challenges* on the functions of Local Government, in particular Melville.

The broad findings of this research and analysis are to be considered as part of the strategic corporate planning process of the City of Melville, due to commence in early November 2010.

In taking the initiative to assess and respond to the Intergenerational Report 2010, Australia to 2050: Future Challenges, the City of Melville is engaging in a pioneering approach to policy development, which seeks to make informed decisions based on a proactive approach to research and analysis.

1.2 Report Scope

This report includes the following key sections:

- **Intergenerational Report 2010 and Other Key Policies** – a review of the Intergenerational Report 2010, Australia's Future Tax System 2009, A National Health and Hospital Network for Australia's Future and Directions 2031 reports. Includes a summary of each of the policy documents, an outline and exploration of the key themes raised and a summary of the key implications for Local Government, with particular emphasis on the City of Melville.

- **Melville to 2050** – an outline of the current economic and social lifecycle and trajectory of the City of Melville within the context of metropolitan Perth. Includes case study based comparison with key inner city municipalities in Melbourne and Sydney to provide contrast and context for the future challenges and opportunities facing the municipality, and to assist in defining the likely economic and social role and function of the City of Melville within the broader urban area.

- **Key Themes for Melville –** a high level assessment of a range of key themes relating to the future development and evolution of the City of Melville. Draws upon the framework provided by the Intergenerational Report 2010 and other key policy documents and includes the following:

    - Population and Migration **–** analysis of the historical and future population and migration trends for the City of Melville including the role and function of Melville in a metropolitan area of almost 4 million. Includes analysis of age-specific migration trends and migration flows.

    - Wealth, Health and Ageing – analysis of the relationship between population ageing, health expenditure and service delivery and wealth and affluence levels of households within the municipality. Includes review of the role of the Fiona Stanley Hospital within the City and the metropolitan area.

- Housing, Affordability and Density – analysis of current and likely future residential and housing market conditions in the City of Melville. Includes analysis of key indicators such as housing stock growth, land and housing prices, stock mix and diversity as well as a review of key locations of future density including Canning Highway and Murdoch.

- Transport, Congestion and Mobility – analysis of the role of the City of Melville within the broader metropolitan transport network and the relationship between the municipality with the Perth CBD and southern metropolitan areas. Includes analysis of the likely role of transport congestion and multi-modal transport accessibility to the economic and community development of Melville over the next forty years.

- Economic Centres, Precincts and Nodes – analysis of the growth and evolution of the Melville economy and its increased integration with the Perth CBD as a result of social, transport, business and other key drivers. Includes review of current role and function of the Melville economy and future locations of economic activity and productivity, drawing upon key themes in the Intergenerational Report.

- Community Facilities and Technology – analysis of the demand for and supply of key community facilities within the City of Melville, including libraries, sports fields and facilities and other Council assets and services. Includes review of the impact of out-of-municipality demand for and use of community facilities. Also includes a review of the impact of technology, such as the National Broadband Network on community facilities and services delivery by Council.

- **What Does This Mean For Council? –** a review of the impacts of the themes above on the city's service delivery, costs and revenues. These impacts will be identified and summarised in an Impact Matrix.

- **Conclusions and Recommendations –** summary of the key conclusions and recommendations reached by MacroPlan within this report. This includes identification of possible next steps or approaches that could be adopted by the city to maximise the benefit of the growth and evolution of the City of Melville to residents, businesses and stakeholders.

1.3 Location/Geospatial Overview

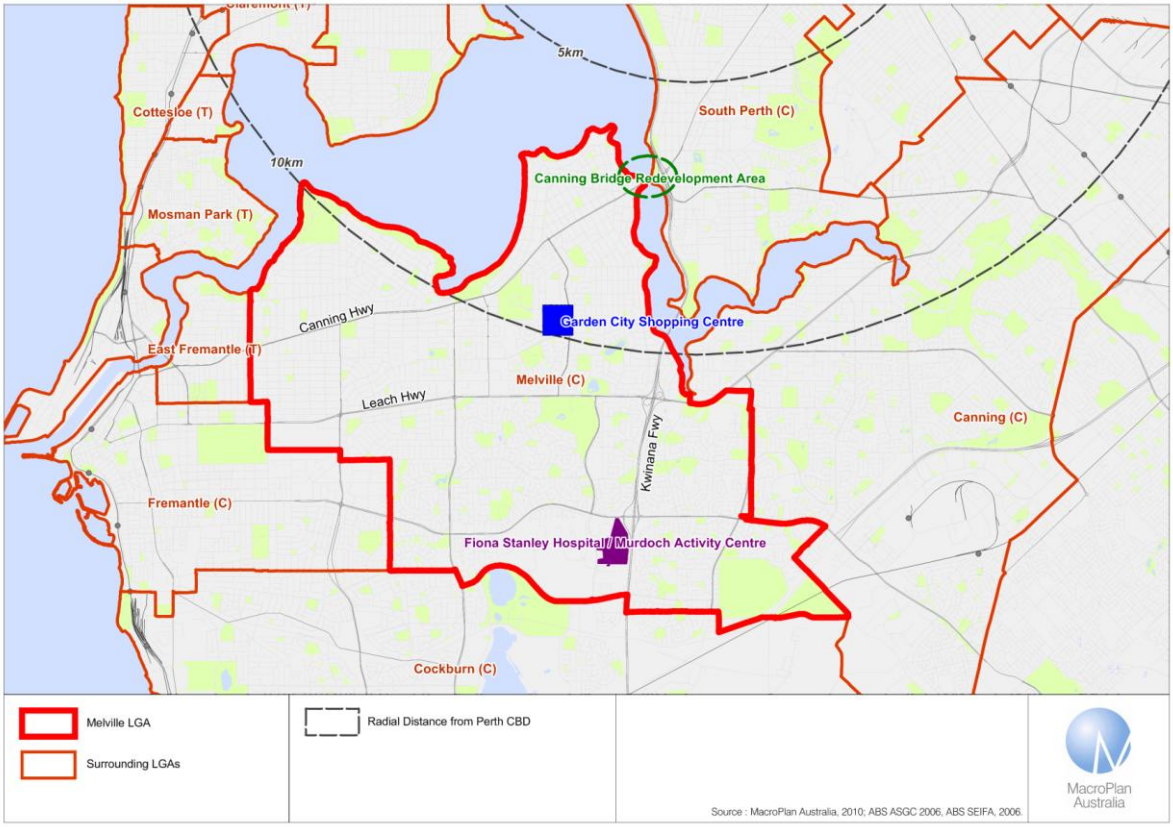
In this report, MacroPlan has analysed data for the City of Melville LGA. This geography is illustrated in the following figure. The City of Melville is located approximately 8km direct and 13km by road south of the Perth CBD. It is bordered on the west by the East Fremantle and Fremantle LGAs, to the south by Cockburn LGA and to the east by Canning LGA.

The Kwinana Freeway is the primary north-south arterial road passing through the municipality, while the Canning and Leach Highways are the primary east-west roads. The Canning Highway passes into the South Perth LGA at the Canning Bridge, which is the subject of current visioning and planning for a major commercial and mixed use activity node.

Additionally, Melville City Centre (Garden City) is located in the suburb of Booragoon and is commonly regarded as the highest quality shopping centre in south-metropolitan Perth, with a catchment that extends south into Cockburn, Rockingham and Kwinana LGAs. Also the Fiona Stanley and St John of God Hospitals, the Murdoch Activity Centre and Murdoch University are located in the south of Melville on the Kwinana Freeway and this precinct is the current focus of major master planning activities.

There is a proposed expansion of Garden City Shopping Centre from its existing 67,939 square metres GLA to 85,959 square metres GLA, including the creation of a new Main Street environment along the internal road link between Davy Street and Almondbury Road.

Figure 1. City of Melville LGA



Source: MacroPlan Australia (2010)

1.4 Key Data

In this report, MacroPlan has drawn upon a wide range of data sets including, but not limited to:

- ABS Census of Population and Housing (historical releases);
- ABS Various Catalogue Numbers;
- Department of Health and Ageing Population Forecasts and data sets;
- Department of Education, Employment and Workplace Relations;

- Australian Taxation Office;
- State and Federal Treasury Departments;
- CBRE, Residex, RPData, WAPC and other residential and commercial
- Geographical and other spatial information through MapInfo Professional, Google Earth;
- State and Federal Government Policies, Plans and Strategies; and
- MacroPlan's extensive experience nationally and in Western Australia.

1.5 Disclaimer

This study has been prepared by MacroPlan Australia Pty Ltd and is intended for the purpose described in this report and not for any other purpose.

2 Intergenerational Report 2010 and Other Key Policies

2.1 Overview

The trajectory of the City of Melville in the future will be driven, to a large extent, by a range of key population, socio-demographic, economic and environmental trends. These trends are not relevant to just the City of Melville but are, in many cases, national trends that have their foundations in national or even international influences.

Many of these trends have been comprehensively analysed and interpreted at the macro-economic level by State and Federal Government agencies. These trends are captured in these policies, plans and strategies as key themes which will have a fundamental impact on the role and function of Local Government within Australia, including the City of Melville. Therefore, the first step in understanding the environment in which Melville will function in the future, is to analyse and interpret the broader socio-demographic and economic themes outlined in the Federal Government's Intergenerational Report 2010, *Australia to 2050: future challenges* as well as the following other policies and strategies:

- Australia's Future Taxation System 2010; and
- National Health and Hospitals Network 2010.

A summary of these policies and strategies, as well as their key themes and relevance to Local Government, are outlined below.

2.2 Intergenerational Report (2010)

2.2.1 Summary

The Intergenerational Report 2010, entitled Australia to 2050: Future Challenges, and released by Treasurer Wayne Swan in January 2010, provides a comprehensive analysis of the population, socio-demographic, economic, social and environmental challenges that Australia will face over the next forty years.

Under the Charter of Budget Honesty Act 1998 an Intergenerational Report is required every five years, with the previous Reports, released in 2002 and 2007 by the then Howard Government. The Intergenerational Report 2010 is therefore the third report and builds upon the research, analysis and findings of the previous reports.

According to the Intergenerational Report 2010:

"Australia faces a complex mix of long-term challenges — an ageing and growing population, escalating pressures on the health system, and an environment vulnerable to climate change. These challenges will place substantial pressure on Australia's economy, living standards and government finances over the next 40 years. These are challenges affecting developed countries around the world."

This highlights the international nature of many of the key challenges that Australia faces, the result of historical and geopolitical events and trends beyond the control of National, State or Local Governments. Two key challenges – population ageing and climate change – are global

phenomena but will present significant long-term risks for the sustainability of the economy, government finances and our quality of life.

2.2.2 Key Themes

The Intergenerational Report effectively summarises the three core themes which dominate the current and future growth of the national economy and the sustainability of fiscal conditions:

- Population;
- Productivity; and
- Participation.

The analysis of these three themes is summarised below.

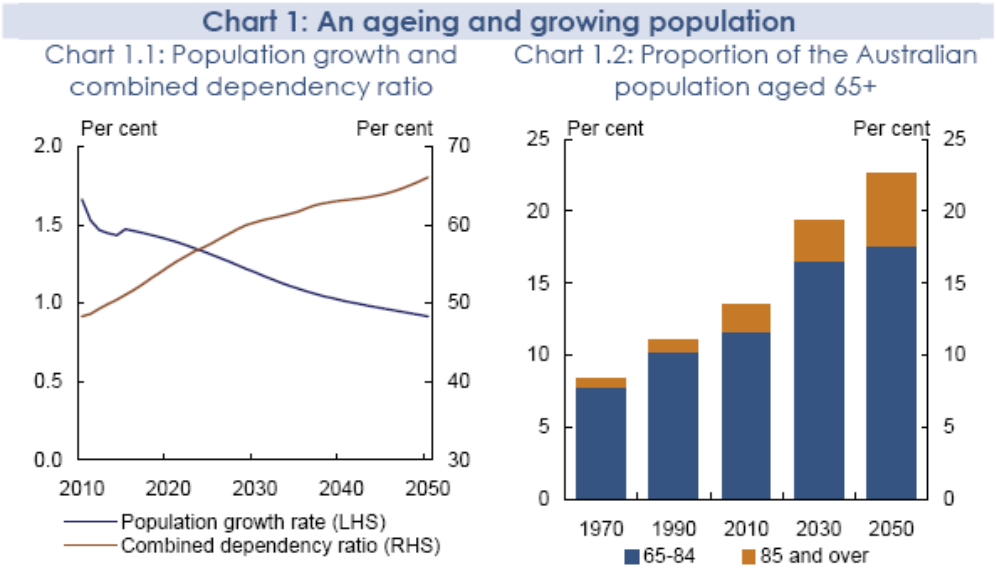
Population

As is well known, Australia's population is ageing. This is in no way a unique situation among Western/Developed Countries globally, and Australia's demographic changes are certainly less severe in nature than for countries such as Japan and Italy. Nevertheless, the impact of the proportional age of the population is likely to be significant on a number of fronts.

According to the Intergenerational Report, the proportion of working age people is projected to fall, with only 2.7 people of working age to support each Australian aged 65 years and over by 2050 (compared to 5 working aged people per aged person today and 7.5 in 1970). Interestingly, this is an improvement on estimates in the 2007 Intergenerational report which forecast a 2.1 to 2.4 working age people per retiree. Nevertheless, the ratio is forecast to almost halve over this period.

This change reflects the ageing of the Baby Boomer Generation (people born between 1946 and 1964), who are a product of post World War 2 repopulation – hence the shared trend among Western Countries. While the Baby Boomers are not the largest population cohort/generation in Australian history (their children, members of Generation Y, claim that record), the impact of their ageing is most significant because of the contrast with that of the low population birth rates that preceded their birth – years characterised by two World Wars and the Great Depression. While currently the economy, health and welfare systems, housing market and effectively every part of our society operates at a capacity sufficient to service the current levels of aged population, over the next twenty years, starting in 2012 (66 years since the return of the first Australian soldiers from World War 2), this capacity will need to increase dramatically off the current base. As such, in the medium term it is as much about the flow of the population through the ageing lifecycle as it is about the total number of people aged 65+.

Figure 2. Ageing and Growing Population, Intergenerational Report 2010



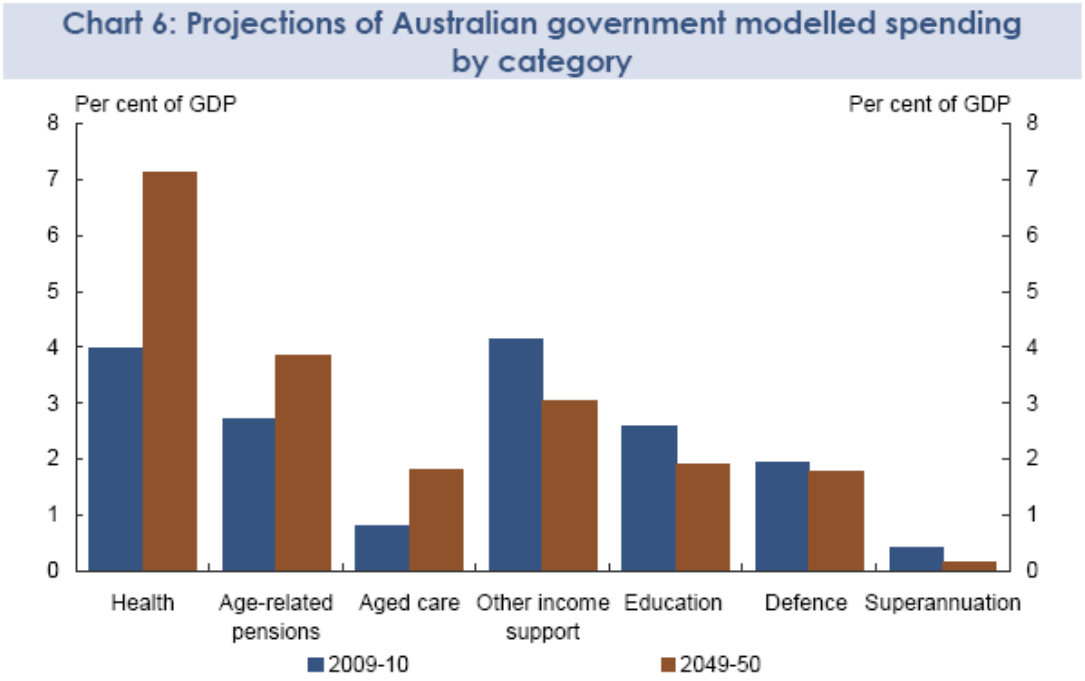
Source: Australian Treasury - Intergenerational Report 2010 – Australia to 2050: future challenges

In the long-term (the later part of the 40 year period examined by the Intergenerational Report), the ageing of subsequent Generations, including Generation Y who will start reaching 65 in 2045, will reinforce this structural ageing and create a second, higher peak in age profile of Australia. This fact highlights that the ageing of the population is an issue of considerable importance over the short-, medium- and long-terms and therefore must be considered as such.

The implications of the ageing of the population are as varied as they are profound. However, the Intergenerational Report focuses on the impact on the budgetary position of all levels of Government in response to a reduction in the relative share of people of working age (therefore paying taxes) and the increased cost burden associated with the delivery of health, welfare, community and other related services to the older age cohorts.

Again while less significant than previously forecast in Intergenerational Report 2007, due to stronger population growth forecasts (see below), health, pension and aged care related expenditure is forecast to increase as a share of the Federal Budget from approximately 6.5% in 2009/10 to 13% in 2049-50. Similarly, impacts would be expected across other levels of Government depending on their level of exposure to age-related revenue and cost items. Nevertheless, this projected increase in health expenditure within the Federal Government budget is part of the motivation for the establishment of the National Health and Hospitals Network by the current Government, relating to the requirement for the Federal Government to take greater control over funding so as to capture efficiencies and manage future expenditure levels.

Figure 3. Projected Growth in Health and Other Expenditure Items, Intergenerational Report 2010



Source: Australian Treasury - Intergenerational Report 2010 – Australia to 2050: future challenges

As mentioned above, the ageing of Australia's population, as outlined in the Intergenerational Report is less severe than previous estimates and than that of many other countries as a result of continued strong population growth. Despite the discussions about "Big Australia" and the projected population of approximately 36 million people in 2050, the rate of population growth in Australia is actually forecast to slow to an average annual rate of 1.2 per cent, slightly lower than the 1.4 per cent average annual rate of growth in the previous 40 years.

However, this slightly slower growth rate is off a much larger population base than in 1970 resulting in a larger numerical level of growth – 13.6 million over 40 years. This growth is based on the continuation of historical and current fertility and mortality rates and overseas migration levels of 180,000 people per year which is at the lower end of the spectrum for the past 10-15 years. As such, the 35.9 million population projection for Australia represents a Base Case or Medium Scenario, and not a High Scenario as it is sometimes described in media coverage.

Figure 4. Projected Growth in Population by Age Group, Low and Base Cases, Intergenerational Report 2010

Table 2.1: Australian population projections — low and base case

Projected population as at June	2010	2050	
Age range		Low	Base
0-14	4.2	4.6	6.2
15-64	15.0	17.8	21.6
65-84	2.6	6.1	6.3
85 and over	0.4	1.8	1.8
Total persons	**22.2**	**30.2**	**35.9**
Percentage of total population			
0-14	19.1	15.1	17.2
15-64	67.4	58.9	60.2
65-84	11.7	20.0	17.6
85 and over	1.8	6.0	5.1

Source: Treasury projections.

Source: Australian Treasury - Intergenerational Report 2010 – Australia to 2050: future challenges

As expected, this Base Case population projection is driven by a historically large growth in the number of people aged 65+ (an additional 5.1 million). However, the 15-64 age group will account for the largest part of total growth (6.6 million), while the number of young people (0-14) will also grow (by 2 million) though obviously at a much slower rate.

The impact of this combination of population growth and population ageing is significant and with the exception of the US, is unique within Developed Countries. While other countries are forecast to either experience strong population growth *or* severe population ageing, Australia is set to experience a combination of both. This will have implications on society, particularly Government, as demand for infrastructure and services will continue to grow with the broader population, while the composition of those services will need to change to reflect changing age composition.

Productivity

The reduction in the share of the people of working age in the total population over the next forty years will have serious implications for the Australian's economy. A proportionally smaller workforce will reduce the size of the labour pool for businesses and therefore constrain traditional models of economic growth. There is therefore a requirement to grow the economy, the value added and tax revenue generated, at a faster rate than both the growth of the general population as well as the ageing of the population – this is achieved through productivity. Productivity is commonly defined as a measure of the increase in economic activity not associated with an increase in the main inputs to production – labour, capital/equipment, raw materials. Therefore Productivity represents the growth that is achieved through increases efficiency and innovation. Only by growing the economy at a faster rate than population growth and ageing, will levels of wealth, affluence and quality of life – commonly measured by the growth in Real Gross Domestic Product per capita – will be protected, enhanced and accelerated in the future.

According to the Intergenerational Report 2010, over the past four decades labour productivity – productivity originating from the more efficient use of labour - growth accounted for most of the increase in real GDP per capita. Over the past forty years, labour productivity has averaged

1.6% per annum, though this has declined to 1.4% over the past decade from a peak of 2.1% during the 1990's. The strong productivity growth in the last decade of the 20th Century reflects a combination of national and international reforms originating from the 1970's and 80's highlighting the long- lead times that exist between reform and its outcomes. The slowing in the 2000's also reflected the tightening of the labour market and the reduced access to workers across the country during this time, particularly in Western Australia, Queensland and Victoria.

With population ageing expected to reduce the participation rate, future growth in living standards will depend on the productivity gains that can be achieved. Estimates in the Intergenerational Report 2010 suggest if, for example, annual productivity growth was to average 2 per cent over the next 40 years, then:

- annual real GDP growth would average over 3 per cent over the next 40 years and the economy would be $570 billion bigger in 2049–50; and
- Real GDP per capita in 2049–50 would be 15 per cent (or around $16,000) higher.

This is a considerable difference that would ease the burden on society, the economy and all levels of Government from the ageing of the population.

There are a range of factors that influence productivity outcomes, including the flexibility and efficiency of the allocation of labour and capital, the level of capital intensity and technological change. Governments can play an important role in promoting productivity growth, through investing in infrastructure and skills, promoting macroeconomic stability, and providing appropriate microeconomic frameworks. These contributors are summarised below:

- Infrastructure investment increases the country's capital stock and the efficiency with which private sector resources can be used. The IMF estimates that, on average across 22 OECD countries, increasing the public infrastructure stock by 1 per cent leads to an increase in output of around 0.2 per cent. The results for Australia are around the OECD average. Infrastructure Australia was established in order to assist in increasing this stock and maximising the economic return of these investments through identification of strategic projects of national and regional significance.
- A stable macroeconomic environment increases the level of certainty that people and businesses have in making decisions. By ensuring macroeconomic stability, public policy frameworks can promote economic growth and improve efficiency in the allocation of resources across the economy. This is positive for productivity.
- Microeconomic frameworks can also improve productivity. Microeconomic reforms can promote open and competitive markets, enhance incentives to develop and adopt new products and processes, and provide businesses with greater flexibility to adjust to changing circumstances.

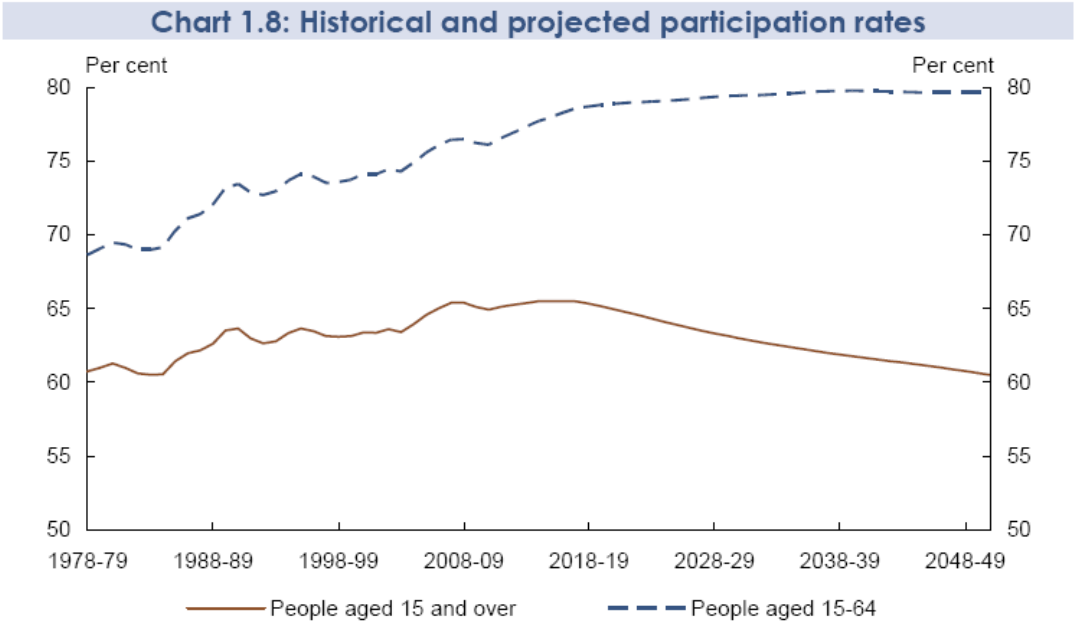
The current and future economic environment will see an increase in the focus on productivity within the Australian and Perth economies and the role of strategic infrastructure investment, particularly in transport, education and training, health, telecommunications and other key enabling infrastructure items, in facilitating this productivity growth. This is particularly relevant for Local Government Areas that are characterised by major service sector employment nodes,

public and private transport infrastructure and regionally significant health and education facilities.

Participation

The composition of the labour force has changed considerably over the past two decades. Total labour force participation for people aged 15 and over has risen gradually from 60.7 per cent in 1978–79 to 65.4 per cent in 2008–09. This stems from the strong rise in women's labour force participation, particularly for older women, from 43.5 per cent to 58.7 per cent, partly offset by a fall in men's participation, from 78.5 per cent to 72.3 per cent.

Figure 5. Historical and Project Participation Rates, Intergenerational Report 2010

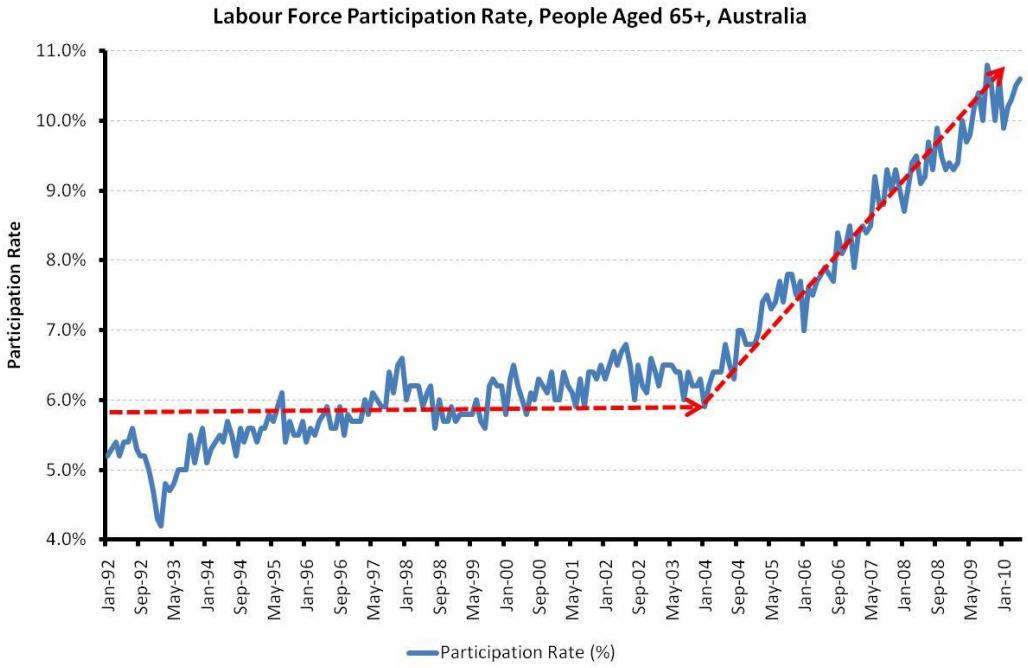


Source: Australian Treasury - Intergenerational Report 2010 – Australia to 2050: future challenges

As the population ages, the share of the population of working age will decline along with an associated proportional decline in tax revenue and economic activity. However, this can be countered, to a degree, by an increase in the labour force participation rate of people aged 15-64 as well as an increase in the number of people 65+ in the workforce.

As highlighted in the chart above, Participation Rates can be calculated for two age cohorts – people aged 15+ and people aged 15-64 – the main difference being the first includes people aged over 65 while the second does not. In relation to the first of these measures, projections show a decline in the labour force participation rate in Australia over the next 40 years, reflecting the growth in the share of the population in the traditional retirement age and the associated lower levels of labour force participation by these age groups. However, recent trends show that the labour force participation rate of older Australians is increasing.

Figure 6. Labour Force Participation Rate, People Aged 65+, Australia, 1992 to 2010



Source: ABS 6291. Labour Force (2010) and MacroPlan Australia (2010)

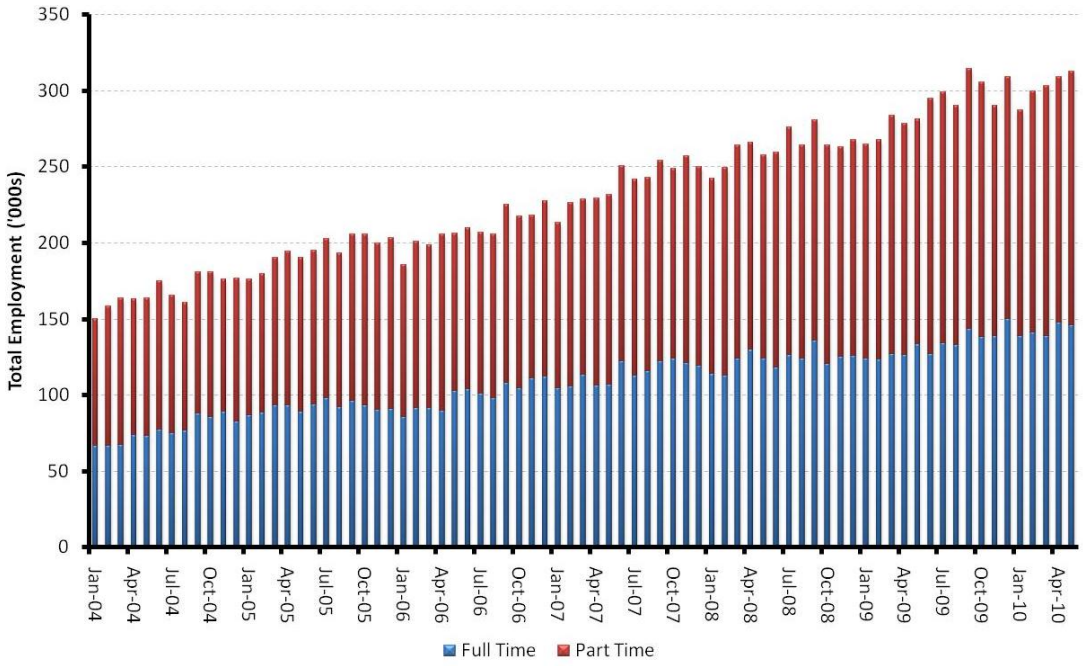
Since 2004, Labour Force participation by people aged 65+ has increased from the historical average of 6% to 11% in 2010. This has continued to grow despite the onset of the GFC, highlighting the fact that the sudden divergence with historical trends is the result of both structural and cyclical issues.

Firstly, between 2004 and 2008, Australia experienced chronically low unemployment, particularly in Queensland, Western Australia and Victoria. This lack of available employees within the traditional working age population cohort (15-64) forces employers to look for workers in other age groups.

Secondly, more recent older worker groups transitioning through the workforce have had strong exposure to service sector jobs that are less physically taxing and therefore reduce the incidences of forced retirement. Coupled with increased life expectancy and improved health, this fact has enabled older workers to continue to work post 65.

Finally, people who are currently reaching retirement age are, for the most part, under-superannuated as they have not been exposed to the compulsory superannuation system for an extended part of their working lives. While they possess considerable asset-based wealth, the reduction in disposable income with retirement means such groups have a high risk exposure to increases in living, health and other costs, as well as a potential reduction in quality of life. This has incentivised older Australians to continue participating in the workforce in a full time or part time capacity, as highlighted below.

Figure 7. Employed People Aged 65+, Full time and Part time, Australia, 2004 to 2010



Source: ABS 6291. Labour Force (2010) and MacroPlan Australia (2010)

If this increase in labour force participation by older Australians continues, it will have the effect of lessening the impact of population ageing on labour availability, health and welfare expenditure, service delivery and taxation by increasing and extending the self-sufficiency of Australian's for longer. However, this will only be achieved with assistance from all levels of Government to increase accessibility of older Australians to employment opportunities, particularly non-CBD service sector employment.

2.2.3 Relevance to Local Government

The Intergenerational Report 2010 examines the issues of population, productivity and participation, along with social inclusion and climate change, from the perspective of the Federal Government. However, the themes identified in the report are pertinent for all levels of Government. Local Government, with its strong nexus to changes in the local community, will experience:

- changes in the demand for and delivery of key community services;
- changes in the capacity of key asset rich/cash poor older cohorts to afford land value-based taxes (e.g. rates);
- increased demand for proportionally decentralised service sector employment opportunities among older Australians; and
- increased demand for multi-modal transport options (public transport and pedestrian amenity) reflecting decreasing mobility.

2.3 Australia's Future Tax System (2009)

2.3.1 Summary

In December 2009, the Australian Treasury, as part of the Henry Tax Review, provided a Report to Treasurer Wayne Swan entitled *Australia's Future Tax System*. This comprehensive report covers many aspects of Australia's multi-level taxation system.

Part 1 of this Report outlined the emerging challenges faced by the tax and transfer system, and set out a broad overview of directions for reform. It identified the strengths of the current system and broad directions for improvement, expressed in the following overarching recommendation:

Recommendation 1:

a) *Revenue raising should be concentrated on four robust and efficient broad-based taxes:*

   - *personal income, assessed on a more comprehensive base;*
   - *business income, designed to support economic growth;*
   - *economic rents from natural resources and land; and*
   - *private consumption.*

b) *Additional specific taxes should exist only where they improve social outcomes or market efficiency through better price signals. Such taxes would only be used where they are a better means to achieve the desired outcome than other policy instruments. The rate of tax would be set in accordance with the marginal spillover cost of the activity.*

c) *User charging should play a complementary role, as a mechanism for signalling the underlying resource cost of publicly provided goods and services.*

d) *With both specific taxes and user charges, revenue would be a by-product of the tax or charge, not the reason for it.*

e) *Other existing taxes should have no place in the future tax system and over time should be abolished.*

These four elements of Recommendation 1 of the Report effectively enshrine the view on the role, function and purpose of taxation within Australia and represent the principles by which new and existing taxes should be considered and assessed.

2.3.2 Key Themes

MacroPlan has analysed and summarised Volume 2 of the report *Australia's Future Tax System: Detailed Analysis*, with emphasis on those tax instruments that impact the capacity of local residents, businesses and landowners to pay taxes as well as the revenue and role of Local Government within Australia's multi-level taxation system.

Personal Income Tax

Personal income tax is Australia's single biggest source of taxation revenue, raising 37 per cent of total tax revenue. As a proportion of GDP, revenue from personal income tax has fallen over the past two decades, with a series of tax cuts a major contributor in the last decade. In the future, demographic change will impact on growth in personal income tax revenue because a greater proportion of the population will be in retirement. If rising debt and reductions in government services are to be avoided, action will be needed to increase the amount of revenue raised from this or other tax bases.

The share of personal income tax in Australia, at 37 per cent of total tax revenue, is high compared to the OECD average of 25 per cent. Much of this difference is explained by the fact that Australia does not levy additional social security taxes in the way that most other OECD countries do (with benefits based on a person's previous earnings), at an average rate of 25 per cent of total tax revenue. Instead, Australia funds social security payments from general government revenues, and has a compulsory superannuation guarantee (that is excluded from the calculation). Taking this into account, Australia's total taxation on personal income is among the lowest in the OECD, at 41 per cent compared to an OECD average of 51 per cent.

Personal income tax is calculated by applying a marginal rates scale to a person's combined income from work and savings. The progressive personal income tax rates scale is a strength of the system that should be retained. At present the great majority of tax revenue comes from higher income earners. In 2007–08, the 16 per cent of taxpayers on more than $75,000 accounted for 55 per cent of personal income tax revenue, with almost half of that coming from the three per cent of taxpayers with taxable income over $150,000. This illustrates the tax burden on high income households in Australia and their importance to the Australian Government in terms of proportional tax contributions.

A tax system for the future needs to take account of changes in the population and particularly the relative size of the working age and retired populations. Over the next 40 years the retirement age population is expected to grow faster than the working age population. By 2049, over one fifth of the population is projected to be aged 65 and over, compared to 13 per cent in 2009. While workforce participation rates are high now compared to rates in the past, maintaining high rates in future will require a tax and transfer system that supports and encourages work. Without high participation rates, the scope to fund payments and services for older Australians and to invest in younger generations will be compromised.

Company and Other Investment Taxes

Globalisation carries profound implications for Australia's tax system and for the taxation of investment in particular. In a world of increased capital mobility, company income tax and other taxes on investment have a major impact on decisions by businesses on where to invest, how much and what to invest in and where to record their profits.

Australia has been successful over recent decades in attracting foreign capital to finance relatively high levels of domestic investment. While the continuing growth of China and India, and the consequent strength in Australia's terms of trade, should ensure continued strong investment in Australia's resources sector, attracting investment in other sectors may become more challenging.

Reducing taxes on investment would increase Australia's attractiveness as a place to invest, particularly for foreign direct investment. Reducing taxes on investment, particularly company income tax, would also encourage innovation and entrepreneurial activity. Such reforms would boost national income by building a larger and more productive capital stock and by generating technology and knowledge spillovers that would improve the productivity of Australian businesses and employees.

Continuing to reduce biases in favour of particular assets by aiming for a broader, more uniform company income tax base would ensure that investment is allocated to its most productive uses. Reducing biases against risk-taking would also encourage entrepreneurial activity, which is important for economic growth. Features of the current system may bias investment and other business choices towards less productive outcomes. In turn, this may reduce productivity and economic growth.

For the longer term Australia should look more closely at moving to a business level expenditure tax. A few countries have adopted this alternative form of company income tax base in recent years, following widespread academic study. The Review has considered how Australia should respond to these policy developments. Adopting an expenditure tax base would change the dynamics of how Australia attracts international capital and overcome some of the problems of income taxes. However, it would inevitably give rise to other issues.

Consumption – Based Taxes

Consumption is potentially an efficient and sustainable tax base. Consumption taxes can be levied directly on individuals by taxing only wages or allowing deductions under income tax for savings, or indirectly by taxing sales of goods and services that individuals buy.

While Australia's main consumption tax — the indirect invoice-credit GST — is an efficient tax relative to most other taxes levied in Australia, its design is complex.

Another means of taxing consumption would be to tax the difference between businesses' cash inflows and outflows (excluding wages from outflows; that is, the value-add of labour would be taxed). So long as the tax remains broad and at a single rate, the efficiency, compliance and administrative costs associated with such a cash flow tax would be significantly lower than with other consumption taxes, including those that States levy and that form a significant part of their revenue base but are particularly inefficient, such as insurance duties.

Over time, such a broad-based cash flow tax could be used to finance the abolition of other taxes, including payroll tax and inefficient State consumption taxes. Such a tax would also provide a sustainable revenue base to finance future spending needs.

Land and resources taxes – Stamp Duty

There has been much focus on the Resource Super Profits Tax proposal outlined as part of the Tax Review, proposed by the former Rudd Government and now amended by the Gillard Government as a Resource Rent Tax. As such, this summary will not examine this tax. However, the implications of this tax and its relevance to Local Government are examined in the following section. Instead, focus will be afforded to State Government Land Tax and Local Government Rates, being more relevant to Local Government.

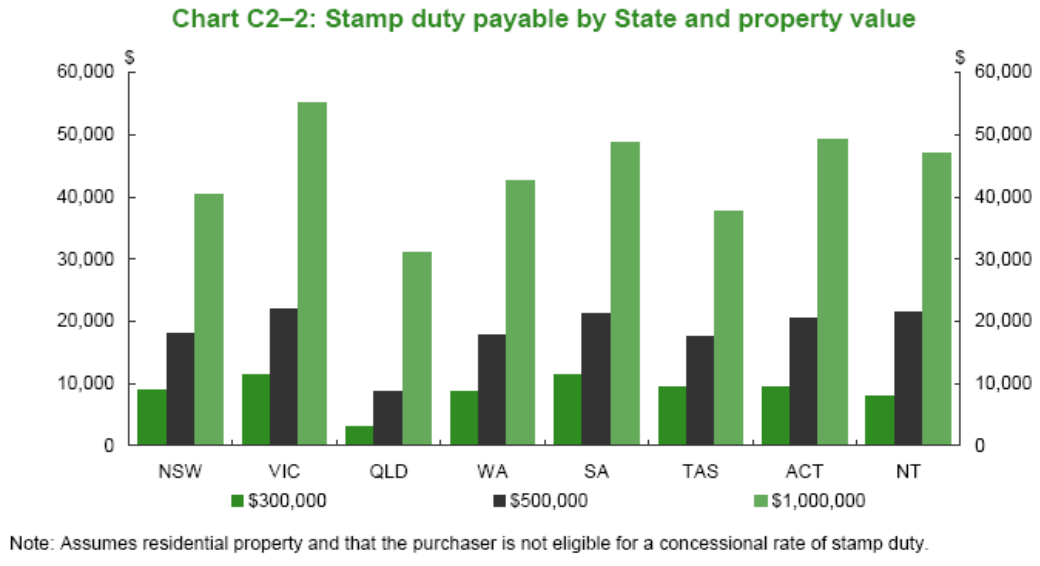
Land has the potential to be an efficient tax base for the States capable of delivering significant and sustainable revenues. Land is an efficient tax base because it is immobile; unlike labour or capital, it cannot move to escape tax. This means that economic growth would be higher if governments raised more revenue from land and less revenue from other tax bases. However, this efficiency is harmed if there are significant exemptions from land tax that encourage people to change how they use land.

There are currently three taxes on land in Australia. The first is property conveyance duties (stamp duties) levied on the transfer of land and buildings. In 2007–08 they raised $14.4 billion for State governments. A significant proportion of this revenue is raised on the transfer of building values, rather than of land. The second is local government rates levied on land (and also on building values by some Councils). They raised $10.2 billion in 2007–08. Finally, State government land tax (mostly levied on unimproved land values) raised around $4.3 billion in 2007–08.

Each of the States levy stamp duty on conveyances (the transfer of property), both residential and commercial. The duty is usually remitted to the State Revenue Office by the purchaser of the property, based on its reported sale price (or the market price, if that is deemed to be a fairer representation of the value). The value of the property includes the value of land and buildings.

The average rate of stamp duty across States rose to 3.25 per cent in 2005 from 2.45 per cent in 1993, largely due to the non-indexation of the scales in the face of property value appreciation. However, rates are variable across States and different types of property. The highest rate of stamp duty is 7 per cent for residential properties valued above $3 million in New South Wales.

Figure 8. Stand Duty Payable by State and Property Value, Australia's Future Tax System Report



Note: Assumes residential property and that the purchaser is not eligible for a concessional rate of stamp duty.

Source: Australia's Future Tax System Report (2009)

As evident from the chart above, Western Australia has relatively moderate Stamp Duty levels, across all three residential property value levels. Queensland, a strong resource state but with a

more diversified economic and tax base than Western Australia, has the lowest stamp duty rates, while Victoria has the highest.

Stamp duty is a relatively simple tax to collect, since it is levied on the sale price, which is easily observable. Administrative simplicity was one of the main reasons why stamp duties were first introduced. The maintenance of a property right system by governments — for example, the maintenance of title deed offices — made it administratively simple to levy a tax on transactions, particularly since land values needed to be reported. However, now that broad-based taxes on income and consumption are available, the relative simplicity of stamp duty is not a strong justification for retaining the tax.

Stamp duty is triggered by the sale of a property. This creates the possibility for people to avoid stamp duties by choosing not to buy or sell property, which can result in people not living in the house they really want to live in or staying too long in a house that could be better used by somebody else. This probably results in a poor allocation of the housing stock. Though the efficiency impact of transactions taxes are difficult to estimate, one study suggests that stamp duties have efficiency costs more than ten times as great as those of a recurrent tax on the market value of houses (O'Sullivan et al. 1995).

Since stamp duty applies to the whole property value, to some extent it taxes the capital used to improve land. While land is immobile, the capital used to improve it is not. Discouraging capital owners from investing in property improvements — particularly improving and selling property — is particularly inefficient. The most obvious way stamp duty biases decisions is that it discourages people from moving. Leigh (2009) finds that a 10 per cent increase in the level of stamp duty reduces the numbers of properties exchanged by 4–5 per cent if the increase is sustained over a three year period. This suggests that current rates of stamp duty prevent a substantial number of mutually beneficial housing exchanges. Reduced turnover of housing can have a significant impact on people's lives.

Stamp duties tax transactions in property, but also the value-add from capital investment. Stamp duties are a particularly inefficient tax when levied on business. This is because businesses face incentives to minimise their transactions and investment in property. For example, a business has incentive to use existing buildings rather than moving to a lower cost region and buying a new property. As businesses are more likely to be mobile than consumers, stamp duties are likely to be particularly inefficient. Consumers are worse off in two ways — goods and services are provided using less efficient processes, and higher tax rates apply to those goods and services that disproportionately depend on property for their production.

Land and resources taxes – Council Rates

Council rates are broad-based, low-rate taxes levied on the value of land. They raised $10.2 billion in 2007–08. Council rates are administered by local governments to fund certain services they provide, such as sanitation and planning administration. Land value is generally not directly observable from vacant land transactions. Valuation methodologies differ from council to council and can also differ from the method used to value land for State land tax. Some councils base the tax on the value of the land only, while others base the tax on total property value (land and buildings).

Figure 9. Current Valuation Methodologies for Councils Rates and Land Tax, Australia's Future Tax System

Table C2–2: Current valuation methodologies for council rates and land tax

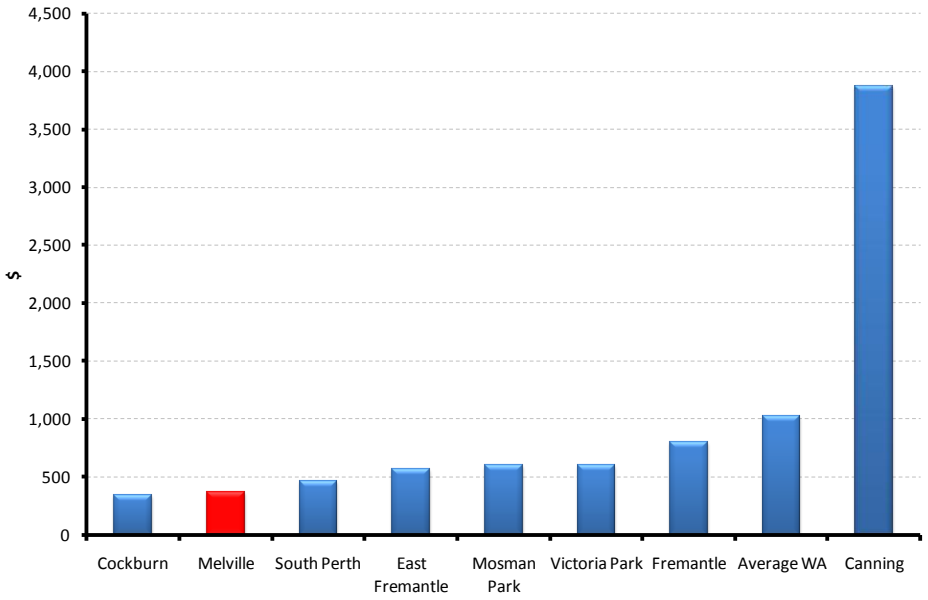
	NSW	VIC	QLD	WA	SA	TAS	NT	ACT
Council rates	LV	SV, NAV, CIV	UV	Rural: UV Non-rural: GRV	CV, SV, AV	LV, CV, AAV	UCV, AV, ICV	UV
Land tax	LV	SV	UV	UV	SV	LV	Not levied	UV

Notes: AV = Annual value, AAV = Assessed Annual Value, LV = Land Value, CV = Capital value, CIV = Capital Improved Value, GRV = Gross Rental Value, NAV = Net Annual Value, SV = Site Value, UCV = Unimproved Capital Value, UV = Unimproved Value, ICV = Improved Capital Value.
Sources: Productivity Commission (2008); Mangioni (2006); NSW Treasury (2009).

Source: Australia's Future Tax System (2009)

As evident in the figure above, Western Australian metropolitan Councils use a Gross Rental Value methodology for calculating rates, while the State Government uses an Unimproved Value methodology for Land Taxes. This makes Western Australian metropolitan Council's unique in Australia,

Figure 10. Council Rates per Resident 2007-08



Source: "WA Today" News Release (2008); MacroPlan Australia (2010)There are at least two competing theories about which of these are more efficient — the 'benefits tax' view and the 'capital tax' view.

The benefits tax view argues that improved or property value taxes are efficient, as they simply recover spending on local public goods that benefit the property owner. However, people are less likely to improve their property if that leads to an increase in taxes, and improved-value taxes therefore provide a disincentive to invest. Nor is it easy to see why the ratepayer who improves a property gains more benefit from the council's spending on public goods than a ratepayer who does not.

In contrast, the capital tax view argues that improved or property value taxes distort the use of capital within a jurisdiction. That is, taxing the capital used to develop land is likely to be less efficient than taxing more immobile bases, such as the land itself. Research has found that the empirical literature in the United States provided limited support for this view.

The fact that capital can move between councils more easily than it can move between countries suggests that council rates should be levied on unimproved or site value. Using unimproved or site value would still reflect the beneficiary principle, as local government spending that improves a local area is most likely to be reflected in land values. However, taxes on improved value are only inefficient to the extent that they impact on marginal investment decisions — as is the case with stamp duties on property — and therefore act as a disincentive to invest.

In regard to local government rates, the consensus is that the distortions and efficiency costs of using improved value are small (Productivity Commission 2008). If the tax liability depended on the improved value of all houses in the area, rather than an individual assessment of a specific house, then the inefficiency is likely to be substantially reduced. However, some ratepayers may regard this as inequitable.

Overall, council rates are relatively efficient, simple and fair taxes. This is consistent with the indicative modelling of efficiency costs of taxes calculated for the Review. Rates are generally applied to all land uses with limited exemptions and apply equally to all properties within the council area.

Council revenue and the role of Local Government in the Australian taxation system are outlined in the section 2.3.3 below.

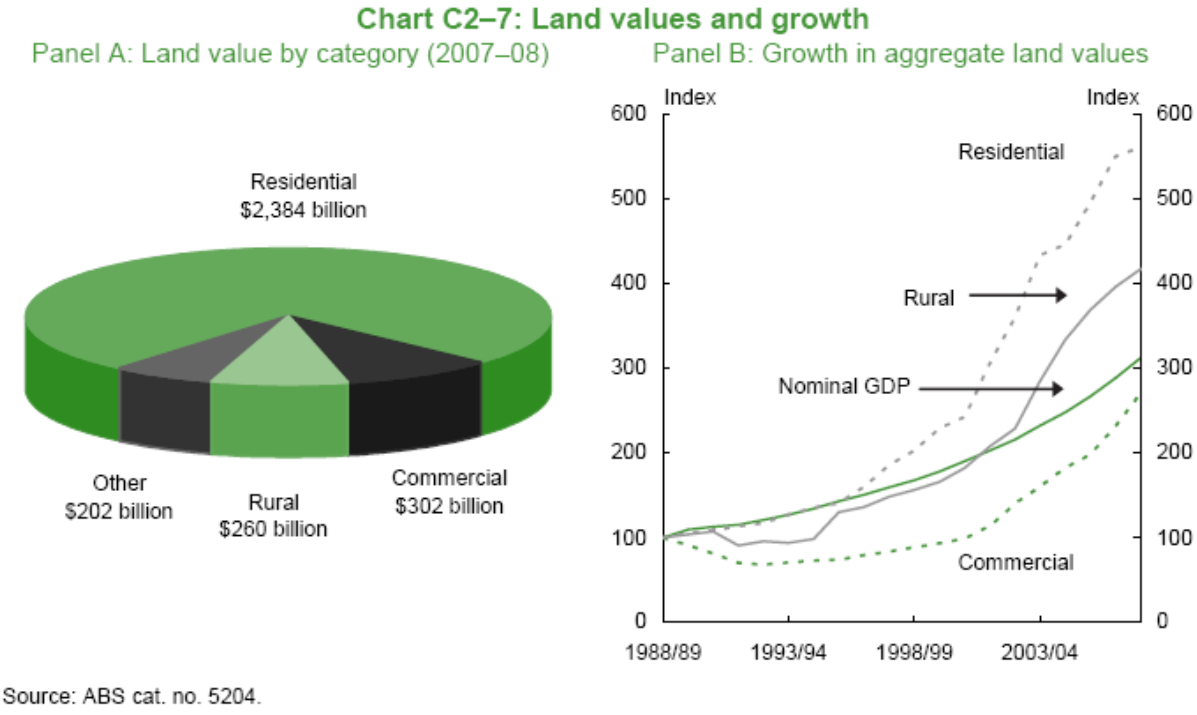
Land and resources taxes – State Land Tax

Land tax is a general revenue tax levied by all States except the Northern Territory. Depending on the State, it is calculated on the 'unimproved' or 'site' value of land. Although the details, thresholds and tax rates vary between States, it generally applies only to a limited range of commercial land and investor-owned residential land. A range of land uses are exempt, including primary production, owner-occupied residential, child care and aged care.

Land tax raised $4.3 billion in 2007–08. Land taxes are levied according to a progressive rate scale. In all States (other that the ACT), these rates are based on an entity's total land holdings. Many States also apply substantial minimum thresholds before any tax is levied. The thresholds applied to land tax and the wide ranging exemptions reduce the efficiency and equity of the tax.

The major exemption from land tax is owner-occupied housing. This exemption removes around 60 per cent of land by value from the tax base. Another significant exemption is land used for primary production. Despite the significant amount of land that this exemption covers, it represents only around 10 per cent of the total land value. Significantly, these exemptions have excluded from the tax base the land with the fastest recent growth in value.

Figure 11. Land Value by Category, Australia's Future Tax System



Source: Australia's Future Tax System (2009)

Land tax should no longer be based on aggregate land holdings. As well as discouraging large-scale investment in the rental property market, this approach does not appropriately target the economic rent from land.

The simplest approach would be to levy the tax at a flat rate on the unimproved land value, irrespective of total value. This would avoid arbitrary distinctions between tax burdens based on land parcel size or the landholder's characteristics. A flat rate would also avoid the problem of 'bracket creep', which, because of existing thresholds, has raised the real effective tax rate over time. However, a flat rate would reduce the top marginal tax on many properties relative to the current land tax. Some of these are likely to be land of high value, leading to windfall gains to some landowners. One approach would be to adopt a slow transition to the new rate structure, such as only slowly reducing existing land tax rates.

Alternatively, increasing marginal rates of tax could be applied to the economic rent in land. That is, stepped rates could be based on the value of the property per square metre, starting with a zero rate on low-value land. Higher valued land with more significant economic rents would pay a higher rate of tax. Higher rates of tax on economic rents do not distort economic decision-making, as higher rates on labour or capital would. Targeting higher rates in this way would allow higher rates to be levied in areas of high demand for land.

2.3.3 Relevance to Local Government

Australia's Future Tax System Report deals directly with the role of Local Government. According to the report, local governments (in aggregate) raise the majority of their revenue from their

own sources. The figure below shows that in 2005–06 local governments raised 83 per cent of revenue from their own sources with 17 per cent of revenue received as grants from other levels of government. For individual local governments these percentages can vary significantly, reflecting differences in revenue-raising capacity.

Nevertheless, rates, particularly from residents, represent the most significant form of revenue. This is a concern regarding the likely increase in competition from State Governments nationally from Land Tax in response to the eventually phasing out of Stamp Duties. This creates a requirement for Local Governments to further diversify their revenue bases.

One possible solution is a greater level of diversification within rates revenue itself with an increased focus on commercial rates. The application of differential rates for commercial properties is common across Australia and reflects the fact that businesses commercially benefit from the delivery of Council services and facilities as well as draw down on infrastructure provided primarily for the benefit of residents. Additionally, Local Government rates are a legitimate and accepted cost for businesses/commercial land owners and therefore can be deducted from Federal Government company taxes. This effectively means that 30% of Council rates payable by commercial land owners is in fact paid, indirectly, by the Federal Government.

For the purposes of distribution of the Federal Assistance Grant (FAG) the City of Melville is treated as a minimum grant local authority and as such receives the minimum grant of $18.80 per head of population.

The purpose of the FAG is to provide relatively greater financial assistance to those LGAs which are relatively more disadvantaged compared with other LGAs because they face greater costs in providing services or because their ability to raise revenue is more limited. The current grant allocation methodology does not enable the City to seek additional funding due to the application of "disability" factors as it considers that the strength of the City's rate base is sufficient for it to rely on own source rate revenue. This will require exploration of potential options to change the FAG criteria or methodologies to reflect changes.

The level of non-rateable properties in the municipality, the cost of maintaining a considerable length of river foreshore and an above average level of public open space and community facilities, are not considered to be disability factors in the application of the grant methodology. The 2001 Commonwealth Grants Commission inquiry into the Operation of the Local Government (Financial Assistance) Act 1995 concluded that:

"We think the current arrangements have, in broad terms, led to a distribution of funds which is generally in line with the Commonwealth's intentions. All LGBs receive a share of the General Purpose grants, Local Roads grants are provided, and relatively more disadvantaged LGBs, overall, receive a greater share of assistance."

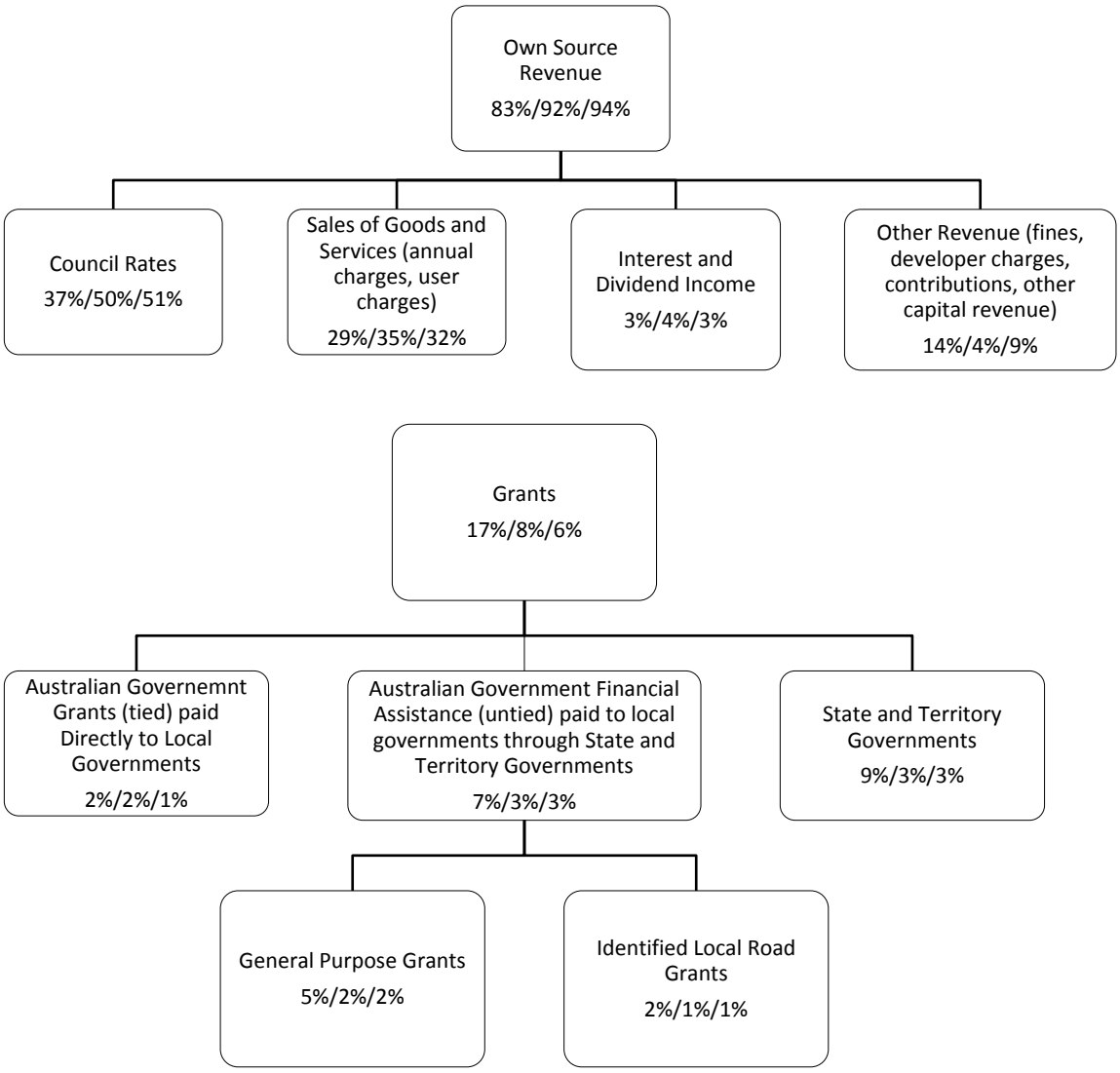
The findings of the inquiry did not include any recommendations that would be of assistance to cities such as the City of Melville to gain access to further funding. The inquiry did not conclude that full horizontal equalisation could not occur on the current arrangements and to achieve that end would require relatively advantaged local governments (such as Melville) to contribute to relatively disadvantaged local governments.

The 64 hectare Murdoch Activity Centre and the 226 hectare Murdoch University sites are largely non rateable. If they were developed as residential housing at the same density as the

adjacent residential suburbs they would accommodate approximately 4,140 dwellings and generate general rate income of $4 million. While direct change to residential uses is neither possible nor recommended, opportunities for redevelopment and mixed use development should be explored.

In addition to the non-receipt of significant revenue from this precinct the City of Melville will also be faced with a cost burden of approximately $1.6 million per annum to maintain public infrastructure related to the development of the Fiona Stanley Hospital site. This equates to nearly 4% of general rates or the equivalent of general rates that would be generated from 1,675 residential properties. This is an added cost burden that will significantly impact on the financial capacity of the city into the future.

Figure 12. Sources of Local Government Revenue, Australia's Future Tax System 2005-06 Local Government Sources in Aggregate/Melville Actual 2009-10/Melville Budget 2010-11



Source: Australia's Future Tax System (2009); City of Melville (2010); MacroPlan Australia (2010)

In addition to rates, Local governments charge fees for many goods and services — such as sporting grounds, and water and sewerage services — that are private in nature. According to the figure above around 29 per cent of total local government revenue comes from user charges. Provided these charges accurately reflect the cost of provision, they are an appropriate revenue source for local governments.

Tax revenue is described by the Australian Bureau of Statistics as 'revenue arising from compulsory levies imposed by government. There is usually no clear and direct link between payment of taxes and the provision of goods and services …' (ABS 2005a). In contrast, user charges are voluntary and requited (that is, the person who pays the charges gets something specific in return).The distinction between user charges and taxation is important because user charges tend to provide positive work and saving incentives, while taxes do not. Further, user charges represent voluntary exchanges, while taxes rely on the coercive powers of the government.

Local governments also receive revenue from developer charges, often known as infrastructure charges. Infrastructure charges can operate as either user charges or taxes, depending on the level at which they are set. They are user charges when they reflect the cost of providing the additional infrastructure needed for the development, but operate as taxes when they exceed such costs. The supply of infrastructure and the associated charging are important factors in the supply of land suitable for housing and they can have significant consequences for affordable housing.

2.3.4 Cost Shifting

In 2002-2003, the House Standing Committee on Economics, Finance and Public Administration conducted an inquiry into Local Government and Cost Shifting. In its report tabled in November 2003 it concluded that:

"On the basis of the evidence presented to the Committee, the majority of cost shifting was from State to local government but there was also evidence of cost shifting by the Federal government."

The Committee also identified that the major areas of cost shifting reported were:

- "the withdrawal or reduction of financial support once a program is established, therefore leaving local government with the choice of continuing a program or suffering the political odium of cancelling the service;
- the transfer of assets without appropriate funding support;
- the requirement to provide concessions and rebates without compensation payments;
- increased regulatory and compliance requirements; and
- failure to provide for indexation of fees and charges for services prescribed under state legislation or regulation. "

The City of Melville continues to experience examples of the above as highlighted by the proposal to transfer public assets associated with the Fiona Stanley Hospital development to the city along with an annualised whole of life cost of $1.6 million per annum. Continuation of such

action along with the other forms of cost shifting will continue to impact negatively on the ability of the City to contain rate increases into the future.

2.4 National Health and Hospitals Network (2010)

2.4.1 Summary

In response to the concerns raised about the sustainability of health expenditure levels by State and Federal Governments in the Intergenerational Report 2010, the Federal Government proposed the establishment of a National Health and Hospitals Network. This proposal, subsequently amended in response to the State Government negotiations, will see an increase in overall funding for acute health care as well as the Federal Government taking primary responsibility for future health funding through the claw back of 30% of State GST revenues.

The original proposal called for the funding to be delivered directly to the local hospital network but negotiations with the states will now see funding delivered to such networks through existing State Government departments. Despite this, estimates suggest that the centralisation of funding for acute care will provide significant savings to the health system through increased efficiencies, decreased waste and the much mooted end to the “blame game”.

Currently, Western Australia is the only State which is not a signatory to the National Health and Hospitals Network. However, it is expected that this will change in the near future.

2.4.2 Relevance to Local Government

The establishment of a National health and Hospitals Network is of direct relevance to Local Governments with strong exposure to health and medical services and facilities. The shift to Local Management will necessitate increased Local Government involvement in planning and facilitation of health services, while providing an increase in the level of funding from the Federal Government directed at the municipality.

3 Melville to 2050

3.1 Overview

Over the next forty years, the City of Melville will change. Melville will be exposed to the socio-economic drivers identified in the Intergenerational Report in a variety of ways and this will impact onthe role and function of Melville within the broader metropolitan area, as well as on the operation of the city in terms of revenue, costs, service delivery and resident expectations.

In this section, MacroPlan has summarised:

- the lifecycle and trajectory of the City of Melville;
- Melville's changing role and function within the Perth Metropolitan Area;
- Key approaches to Urban Development by the City of Melville; and
- Identification of the key themes for consideration.

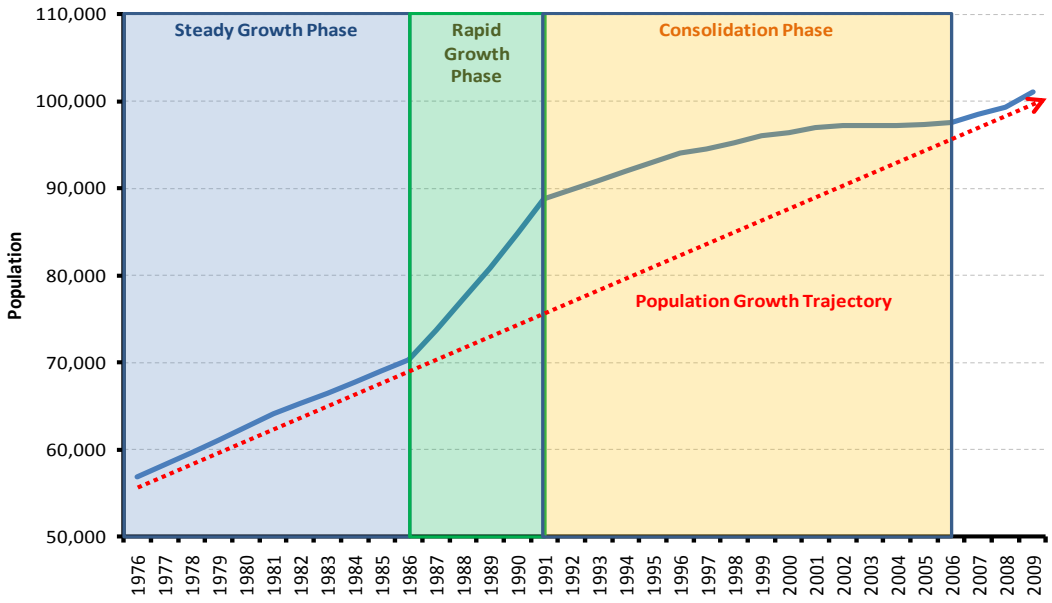
3.2 Lifecycle and Trajectory of Melville

Currently the City of Melville is entering a new phase of its lifecycle. Over the next 40 years, the municipality will experience many phases of its lifecycle, resulting in a transformation of the social and economic structure of the City. To understand the nature of the challenges and opportunities facing Melville in the future, it is important to look back, over the past 40 years to understand the City's historical lifecycle and trajectory.

Since 1976, the population of the City of Melville has increased from approximately 58,000 residents in 1996 to over 100,000 in 2009. However, this growth has not been consistent over this period. Between 1976 and 1986, Melville experienced relatively consistent growth rates of 2-2.5% per annum. This growth was relatively strong and reflects a phase of steady population growth. Over the five years to 1991, population growth in the City of Melville increased dramatically, averaging almost 5% per annum over this period and jumping from approximately 70,000 to 90,000 residents over this time – an average of 4,000 people per annum. Since 1991, growth has slowed considerably (0.7% per annum) as Melville entered a consolidation phase of its lifecycle. It slowed to as low as -0.1% growth in 2004 but since that time population growth has steadily accelerated to the fastest growth in 20 years of 1.7% in 2008/09.

These indicators are outlined in the following figure.

Figure 13. Estimated Residential Population, Lifecycle Phases and Trajectory, City of Melville, 1976 to 2009



Source: Census of Population and Housing (1976 to 2006), ABS 3218 Estimated Residential Population (1996 to 2009)

The steady acceleration in population growth over the past 5-7 years possibly reflects a transitioning of Melville into a new phase of its lifecycle. The total population level in the city has returned to its long-term population growth trajectory, which is usually the point at which locations move into a new lifecycle phase. This would suggest that the consolidation period of the past 15 years is ending in response to a range of population, housing and travel drivers which will invariably alter the role and function of the City of Melville within the broader metropolitan region.

3.3 Melville's Role and Function

3.3.1 Current Role and Function

The City of Melville, based on current socio-economic characteristics, functions as a stable, gentrified inner metropolitan residential location with supporting retail, health, education and other population-serving sectors catering for residents of the city, surrounding LGAs and, to a degree, southern parts of the Perth Statistical Division.

Its inner city location has attracted higher income households wishing to have strong access to Perth CBD employment opportunities, quality retail and health offerings while residing in established separate housing. Such households are characterised by an above average share of white collar workers (reflecting CBD access) and the location is also attractive to overseas migrants.

From an economic perspective, the City of Melville has an employment self-sufficiency level (number of jobs as a ratio of the number of employed residents) of 63% which is relatively low for an inner city location and reflects the less prominent role the municipality currently plays in the metropolitan economy as an employment location. However, this partly reflects the size of

the City of Melville in terms of resident population and the impact this has on employment self-sufficiency calculations. Nevertheless, the City of Melville has historically sat well within the economic gravity well of the Perth CBD and as such has been too close to support substantial employment-generating, service sector, economic activity.

Overall, the City of Melville currently functions as a large, inner city residential location, providing residents with easy access to the Perth CBD supported by strong retail, health and service offerings. This residential role has been reinforced by the proximity of the city to the Perth CBD and the impact this has had on dampening the comparative attractiveness of the location for the development of commercial and business activity.

3.3.2 Key Drivers of Change

Over the next 10-15 years, the City of Melville will enter a new phase of its growth and development in response to a range of key drivers. MacroPlan has identified some of these drivers including:

- **Reduced availability of and increased cost for business accommodation in the Perth CBD and Inner City** – creating a genuine price incentive for affordable business locations in other parts of Perth;
- **Increased depth in the metropolitan Perth economy** – creating sufficient demand for non-CBD business locations;
- **Transport congestion during peak hours** – in line with national examples of capital city evolution. Creates an incentive for business and employment locations at points at which traffic congestion intensify. This reflects a desire of businesses to reduce transaction costs and maintain their labour force catchments;
- **State Government decentralisation** – proposed moves by State Government agencies to non-CBD office locations to catalyse urban and economic development;
- **Focus on health expenditure and service delivery** – the future prominent role of the Fiona Stanley Hospital within metropolitan Perth's health network and the capacity of this health establishment to catalyse demand for economic activity, in line with Health-Oriented Development principles;
- **Population Growth and Housing Demand** – in line with the draft Directions 2031 goal of in fill development in established residential locations;
- **Housing Prices and Affordability** – house prices in Melville are high in comparison with metropolitan medians. While median household incomes are also high, high house prices create genuine affordability concerns among select market segments such as first home buyers, downsizing retirees, key workers, students and low income households; and
- **Major redevelopment/master plan opportunities** – including Fiona Stanley Hospital/Murdoch Activity Centre and Canning Bridge Redevelopment.

These drivers are examined in greater detail as part of the key themes analysis outlined in section 4 of this report.

3.3.3 Case Study Comparisons

In order to provide a guide as to the potential future characteristics of the City of Melville, MacroPlan, in conjunction with city representatives, have identified four key Melbourne and Sydney based case study locations for use as comparison. These locations have been specifically selected as they represent areas in Australia that share common characteristics with Melville in terms of their role and function within their respective metropolitan areas. They also represent areas that are further along their growth and development trajectory than Melville, providing examples of possible positions for Melville in the future.

These locations, and the reason for the selection, are:

Figure 14. Case Study Locations and Reasoning

MUNICIPALITY	REASONING
Manningham LGA (VIC)	• Comparable population; • Includes a Westfield Shopping Centre (Doncaster); • Predominantly low density dwellings • Major public transport infrastructure skirts the municipality; • High level of overseas migrant population (including a large ethnic Asian population); and • High residential, commercial and land values.
Boroondara LGA (VIC)	• Larger population size; • Comparable distance to the CBD/GPO; • Serviced by major public transport; • High wealth and affluence levels; • High level of overseas migrant population (including a large ethnic Asian population); and • High residential, commercial and land values.

MUNICIPALITY	REASONING
Monash LGA (VIC)	• Larger population; • Post-war development; • Traffic intervention location; • Corridor wide service centre; • Major tertiary education anchor for commercial development; • High level of overseas migrant; • High wealth and affluence levels; and • High residential, commercial and land values
North Sydney (NSW)	• Inner City Traffic Intervention location; • High commercial office floorspace; • Strong apartment market; • High wealth and affluence levels; and • High residential, commercial and land values

MacroPlan has analysed a series of population, socio-demographic, economic and housing indicators for each of these case study locations as the City of Melville. These Key Indicators are outlined in the following table.

Some key findings from this case study table include:

- Melville has a smaller population than all other locations except North Sydney LGA. However, this reflects the smaller size of the North Sydney in contrast with the other four municipalities;
- Melville has a higher fertility rate than comparable locations, suggesting local population generation is more significant in the local area;
- Melville has a smaller number of employing businesses;
- Melville has the second lowest level of employment self-sufficiency of the locations, ahead of only Manningham LGA. Monash and North Sydney both have self-sufficiency levels above 100%.

- Melville, Manningham and Monash all have large quantum's of retail floorspace and GLAR per capita ratios above 1.5, suggesting that they play a role as major regional retail centres;

- Melville's household income is lower than most other locations, suggesting potential room for growth into the future. This will likely support increased house prices at or above the rate of growth of the metropolitan area;

- Melville has the largest share of people aged 75+, suggesting that the location has a greater exposure to population ageing over the next 15 years than other locations, equalled only by Boroondara;

3.3.4 Future Role and Function

Using the case studies above as benchmarks of the City of Melville's potential growth trajectory, MacroPlan believes that the municipality will likely move over the next 15 years to a position similar to that of Manningham LGA in terms of population size, employing businesses, household incomes variation, age profile and place of origin.

Beyond that period, Melville will also start to take on characteristics similar to that of Monash LGA, particularly around economic characteristics reflecting the development of the Canning Bridge and Fiona Stanley/Murdoch areas, which possess similar characteristics to that of the Monash University precinct.

This future role and function will therefore see Melville begin to play a more intensive economic and business support role, as transport congestion on major highways builds and businesses and investors begin to seek alternate locations to the Perth CBD for commercial accommodation.

Similarly, the likely growth in attractiveness of Melville as a white collar residential location will both create demand for more diversified housing stock mix, with a larger share of townhouses and apartments moving towards Boroondara LGA, as well as result in increased house/unit prices creating potential affordability issues for key cohorts.

Figure 15. Key Socio-Demographic Indicators, Melville and Select Case Study LGAs

	Melville LGA (WA)	Manningham LGA (VIC)	Boroondara LGA (VIC)	Monash LGA (VIC)	North Sydney LGA (NSW)
Headline Indicators					
Population and Households					
Persons (2009)	101,052	118,544	168,090	176,069	63,914
Households (2006)	34,446	37,457	55,737	56,834	26,628
Total Dwellings (2010)	39,038	42,098	63,697	65,566	34,952
Average Household Size (2006)	*2.70*	*2.93*	*2.77*	*2.84*	*2.19*
Fertility Rate (2008)	1.75	1.6	1.52	1.58	1.27
Employment					
Employing Businesses (2007)	3,600	4,698	8,382	6,942	6,714
Total Jobs (2006)	28,598	22,416	59,290	88,314	60,052
Total Resident Employed (2006)	45,875	52,750	77,011	74,545	35,260
Total Labour Force (2006)	47,318	55,073	80,123	78,956	36,319
Unemployment	3.0%	4.2%	3.9%	5.6%	2.9%
Employment Self Sufficiency (2006)	62.3%	42.5%	77.0%	118.5%	170.3%
Number of Self Employed (2009)	4,011	4,411	5,863	5,850	2,275
Self Employed Share of Population (2009)	4.0%	3.7%	3.5%	3.3%	3.6%
Physical Characteristics					
Distance to GPO (km)	12.9	21.4	12	24.9	4.2
Time to GPO (mins)	21	29	19	30	8
GLAR Square Metres	154,865	153,596	2,970	268,849	36,285
GLAR per Capita (Persons 2009)	1.53	1.30	0.02	1.53	0.57
Shopping centres	14	5	2	8	10
Train Lines	1	0	4	3	2
Tram Lines	0	0	9	0	0
Bus Lines	Numerous	40	33	35	Numerous
Night Rider Lines	1	2	2	2	1
Train Stations	2	0	5	3	5
Ferry Stations	0	0	0	0	5
Socio-Economic Snapshot					
Income and Wealth					
Median Individual Income	$28,128	$25,747	$33,720	$23,689	$52,834
Variation from State Capital	*5.4%*	*2.9%*	*34.8%*	*-5.3%*	*96.1%*
Median Household Income	$65,085	$67,650	$81,534	$59,536	$94,357
Variation from State Capital	*15.3%*	*20.6%*	*45.3%*	*6.1%*	*57.2%*
Median house price ($'000s)	635	703.85	1263.5	609	1170
Metropolitan Median ($'000s)	486	562	562	562	641

	Melville LGA (WA)	Manningham LGA (VIC)	Boroondara LGA (VIC)	Monash LGA (VIC)	North Sydney LGA (NSW)
Occupation					
Professionals	28.6%	27.0%	38.8%	27.7%	42.6%
Managers	14.4%	16.6%	18.0%	12.6%	20.3%
Clerical and Administrative Workers	16.2%	16.8%	14.7%	17.0%	14.9%
Sales Workers	10.5%	12.0%	9.7%	10.6%	7.4%
Community and Personal Service Workers	8.5%	7.3%	7.2%	7.5%	6.0%
Technicians and Trades Workers	12.1%	11.7%	6.3%	12.1%	5.8%
Labourers	3.1%	3.0%	1.5%	4.8%	0.9%
Machinery Operators And Drivers	6.6%	5.7%	3.7%	7.7%	2.2%
Occupation by Sector					
White Collar	59.2%	60.3%	71.5%	57.3%	77.8%
Blue Collar	21.8%	20.4%	11.6%	24.6%	8.9%
Service Sector	19.0%	19.3%	16.9%	18.1%	13.3%
Age Distribution					
0-4 years	4.9%	5.1%	5.6%	5.0%	4.5%
5-14 years	12.5%	12.0%	12.5%	10.6%	5.0%
0-14	15.3%	14.9%	16.0%	13.6%	8.9%
15-24 years	15.8%	13.8%	15.4%	16.0%	10.6%
25-54 years	39.5%	39.2%	41.3%	40.3%	56.5%
55-64 years	11.9%	13.5%	10.9%	11.6%	11.6%
65+	13.8%	15.3%	12.6%	14.8%	11.3%
65-74 years	7.2%	9.6%	6.2%	8.9%	6.0%
75+ years	8.2%	6.9%	8.2%	7.7%	5.8%
Family Types					
Couple family with Children	47.7%	52.5%	52.3%	48.3%	28.7%
Couple Family without Children	37.1%	34.4%	33.3%	36.2%	57.5%
One Parent Family	13.2%	11.5%	11.8%	13.0%	10.3%
Other Family	2.0%	1.6%	2.6%	2.5%	3.5%
Family Household	72.1%	81.3%	69.3%	75.0%	52.2%
Non Family Household	27.9%	18.7%	30.7%	25.0%	47.8%
Tenure Type					
Owner	42.9%	50.4%	41.8%	45.3%	25.4%
Purchaser	34.3%	34.4%	30.4%	30.6%	21.8%
Renter	21.4%	14.4%	27.0%	23.4%	52.3%
Other	1.4%	0.8%	0.7%	0.7%	0.6%
Dwelling Type					
Separate House	81.0%	84.6%	63.6%	80.1%	14.6%
Semi-detached	14.0%	10.0%	14.8%	9.7%	15.6%
Flat, Unit, Apartment	4.9%	5.3%	21.1%	10.0%	69.0%
Other	0.1%	0.1%	0.5%	0.3%	0.9%
Birthplace					
Australia	62.5%	61.0%	68.9%	54.3%	55.4%
Overseas	37.5%	39.0%	31.1%	45.7%	44.6%

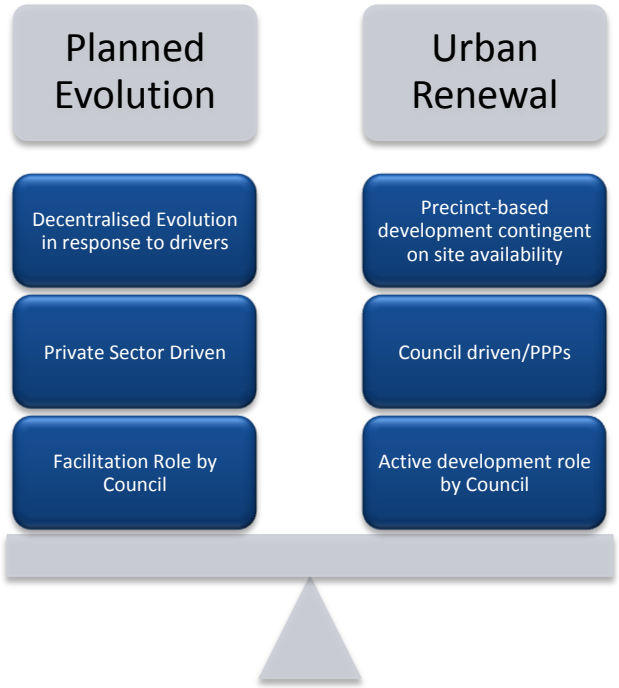
Source: ABS Census of Population and Housing, ABS Various Catalogue Numbers and MacroPlan Australia (2010)

3.4 Approaches to Urban Development

The City of Melville is faced with a choice in terms with the development of the municipality in the face of major population, socio-demographic, economic and environmental drivers. This choice relates to how the urban form and network within Melville will evolve over time and the role that the city will play in facilitating and/or incentivising this evolution.

Based on MacroPlan's experience, the two primary models of urban development by Local Government are:

Figure 16. Primary Models of Urban Development by Local Government



These two approaches are summarised below:

- **Planned Evolution** – City of Melville facilitates the evolution of the municipality through the effective and strategic application of policies, strategies and powers to promote changes in the urban form and network across the City of Melville. This approach will be characterised by more decentralised densification of built form, particularly along major public transport routes, as well as the creation of new centres and nodes of activity. The city plays a facilitation role by providing the appropriate regulatory environment and investment certainty to promote and incentivise urban form evolution through private sector urban development;

- **Precinct-Based Urban Renewal** – the City of Melville actively engages in Precinct-based urban renewal activities, similar to that engaged by the Brisbane City Council in Queensland, to revitalise dilapidated Centres and precincts that have not received sufficient private sector investment, for whatever reason, to effectively evolve in response to key drivers. This approach is contingent on the availability of low value, vacant or underutilised sites, with the city playing an active, lead role in promoting development.

MacroPlan considers ***the Planned Evolution model to be superior*** in achieving the desired outcomes of Local Government and in responding to changes in the key drivers of urban development. The facilitation approach has a much lower risk profile for the city and leverages heavily on private sector development.

In contrast, the Precinct-Based Urban Renewal model requires active participation by the city in the development process with an associated increase in risk. Locations subject to renewal are invariably limited to areas of Local or State Government control (Government land/facilities etc) which may not represent the optimal location for changes in the urban form of the municipality. Also, the Renewal Model works most effectively in large, semi-industrial locations that are either vacant or underutilised so that there is sufficient value uplift in the redevelopment to justify the risk.

In reality, it is expected that a combination of these models will be applied and vary from location to location within the municipality. However, successful application of the Planned Evolution Model can facilitate the application of the Precinct-Based Urban Renewal Model by enhancing the level of private sector involvement (through PPPs and private sector identified-renewal opportunities) and therefore decreasing the risk profile for the city.

3.5 Key Themes for the City of Melville

Based on the review of the Intergenerational Report and other key policy and strategy documents and the key lifecycle and trajectory trends of the municipality, MacroPlan has identified the existence of six key themes. These include:

- **Population and Migration -** reflecting the growth in population projected in the Intergenerational Report 2010;
- **Wealth, Health and Ageing** - reflecting the impact of population ageing;
- **Housing, Affordability and Density** - the built form and housing impact of the combination of population growth and ageing in the municipality;
- **Transport, Congestion and Mobility –** reflecting the role of transport infrastructure in supporting productivity improvements. Also reflects the trends of work movements of people to, from and through Melville and the role of traffic congestion on the development of new activity centres and precincts;
- **Economic Centres, Precincts and Nodes -** reflecting need for increased productivity and economic activity to counter reduced tax base from population ageing; and
- **Community Facilities and Technology –** reflecting the change in the demand for community facilities and services as a result of an ageing population as well as the transformative effective of information and communication technology infrastructure, delivered to improve economic productivity, on service delivery.

These themes are examined in the context of the City of Melville in the following section.

4 Key Themes for Melville

4.1 Overview

In this section, MacroPlan has compiled brief four to five page profiles of each of the six themes identified in section three above. Each of these profiles is designed to be read independently of one another as well as in the context of the broader report, in order to provide flexibility for the City of Melville.

Each profile is comprised of the following sections:

- **Theme Overview –** a brief summary of the theme and the issues raised in the policy and strategy documents reviewed;
- **Local Issues and Context –** an outline of key indicators relating to the City of Melville in each theme; and
- **Key Opportunities and Challenges** – identification of the key opportunities and challenges facing the City of Melville associated with the theme.

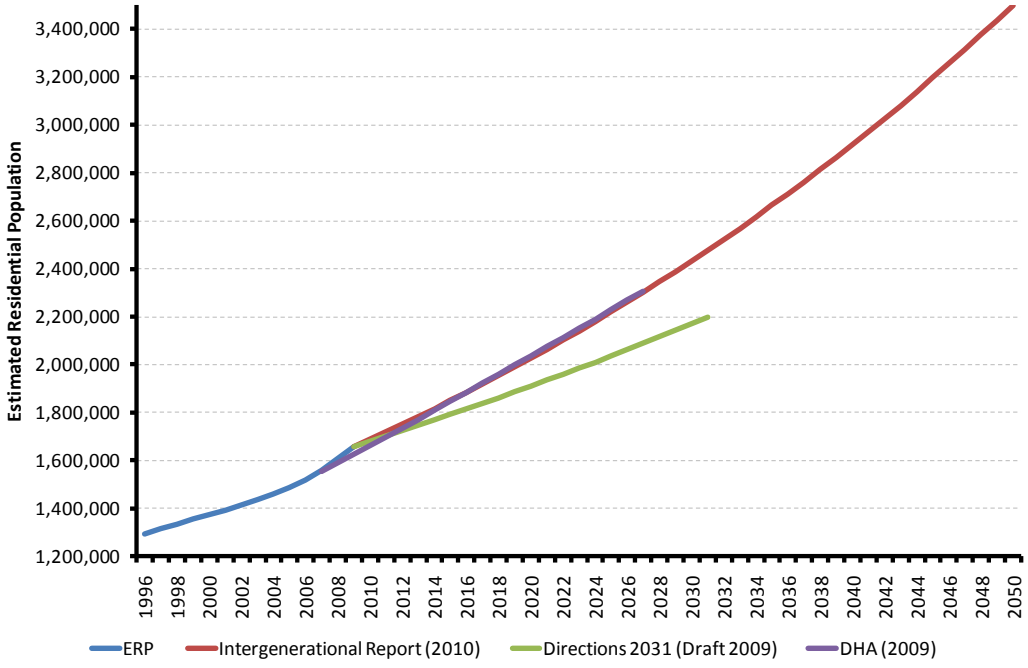
4.2 Population and Migration

4.2.1 Theme Overview

According to the Intergenerational Report 2010, Australia's population is expected to grow to approximately 36 million by 2049-2050. Media releases around the time of the report suggested that, under this scenario, metropolitan Perth could grow to approximately 3.5 million people over this time, a significant increase on the current population of 1.6 million. A review of the Intergenerational Report projections in comparison with other projections indicate that the Federal Treasury estimates are broadly in line with existing forecasts from the Department of Health and Ageing and therefore do not represent a significant change in the trajectory of metropolitan Perth over the next forty years from the perspective of the Federal Government.

However, the current draft of Directions 2031, suggests a much slower population growth profile in metropolitan Perth, reaching only 2.2 million people by 2031. In contrast, Federal Government projections indicate that this population will likely be reached by 2025, a full 6 years earlier. The Federal Government forecasts are most in line with the historical population growth trajectory of the past 15 years, while the draft Directions 2031 suggests a significant variation from this trend. Disparities between Federal and State Projections for metropolitan Perth are a major cause of uncertainty regarding future planning.

Figure 17. Estimated and Projected Residential Population, Metropolitan Perth, 1996 to 2050



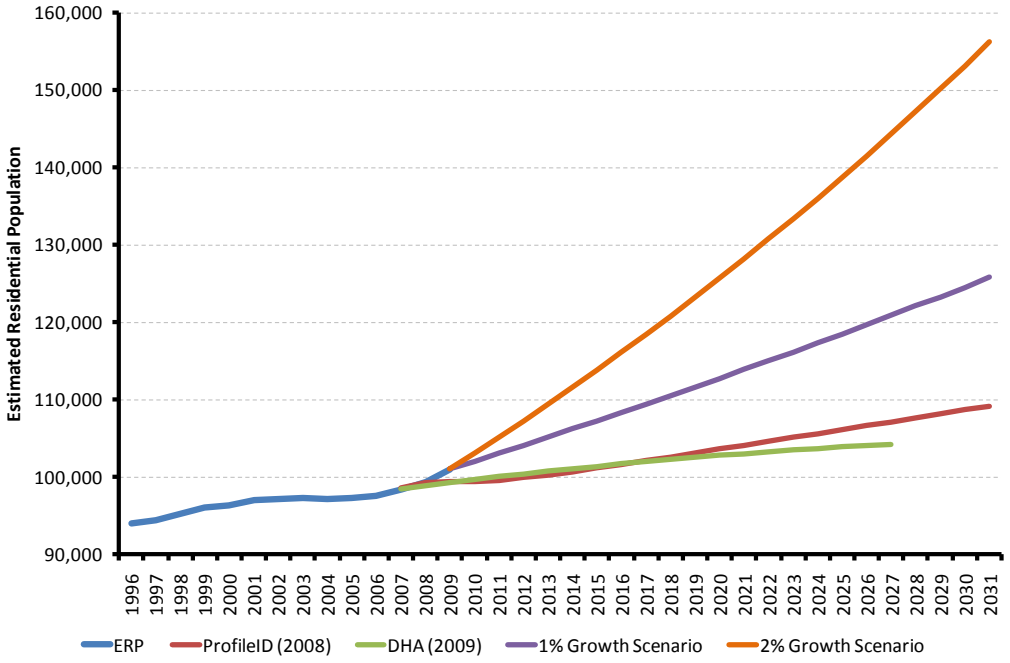
Source: ABS 3218 Estimated Residential Population (2010), Intergenerational Report (2010), Directions 2031 (Draft 2009), Department of Health and Ageing (2009) and MacroPlan Australia (2010)

4.2.2 Local Issues and Context

Population

Profile ID and Department of Health and Ageing Population forecasts for the City of Melville, developed based on 2007 Estimated Residential Population, suggest that the municipality's recent consolidation phase population growth rates are to continue over the next twenty years. Department of Health and Ageing forecasts a slower population growth profile than that of Profile ID, reflecting the "bottom up" methodology employed by Profile ID and the greater consideration of issues such as residential redevelopment and densification.

Figure 18. Estimated and Projected Population Forecasts, City of Melville, 1996 to 2031



However, both sets of forecasts appear to be at odds with recent estimated residential population growth. In 2009, the ABS estimates that the City of Melville was home to 101,052 residents, reflecting stronger and accelerated population growth from the lows in 2004. In contrast, Profile ID did not forecast this population level to be reached until 2015, while the Department of Health and Ageing predicted it for 2014. This suggests that the City of Melville is 4 to 5 years ahead of current population projections. This reflects the fact that both forecasts are based on 2007 estimated residential populations, rather than the latest estimates, and therefore have not considered the impact of recent strong population growth.

MacroPlan has modelled two additional population scenarios, based on the latest estimated residential population – 1% annual growth and 2% annual growth. The first scenario reflects a move to a mid point between the current consolidation phase and the steady growth phase experienced during the 1976 to 1986. In contrast the 2% scenarios, is more in line with the steady growth phase and recent population growth rates.

Under the 1% scenario, the City of Melville will continue to grow at a similar rate to recent years and will reach population levels similar to the City of Manningham in approximately 15 years. In

contrast, the 2% scenario results in the Manningham LGA population level being reached by 2017 before increasing to 156,000 by 2031. This end figure is closer to Boroondara and Monash LGAs from the case studies.

In reality, Melville will likely experience a population growth rate, on average, between these two scenarios. If this is the case, the consolidation phase between 1991 and 2006 is unlikely to continue.

Migration

In addition to strong total population growth, it is important to examine the nature and composition of historical in-migration levels to Melville. Age-specific migration levels provide an insight into the drivers of population growth in a location as well as the attractiveness of a location to key sources of migration.

Over the five years to 2006, approximately 32,663 people migrated to Melville (C) - LGA. This is a substantial number, offset of course by out-migration but still resulting in a positive net migration to the Region. However, it is the proportional share of In-Migration origins that are of the most interest.

Figure 19. In-Migration, by Place of Origin, Melville (C) - LGA, 2001 to 2006

SLA Name	In-Migration (No.)	In-Migration (%)
Cockburn (C)	2,015	6.2%
Canning (C)	1,942	5.9%
South Perth (C)	1,037	3.2%
Fremantle (C) - Remainder	966	3.0%
Gosnells (C)	547	1.7%
East Fremantle (T)	487	1.5%
Rockingham (C)	447	1.4%
Stirling (C) - Central	302	0.9%
Victoria Park (T)	297	0.9%
Armadale (C)	294	0.9%
Stirling (C) - Coastal	258	0.8%
Kalgoorlie/Boulder (C) - Pt A	225	0.7%
Joondalup (C) - South	223	0.7%
Kalamunda (S)	221	0.7%
Mandurah (C)	204	0.6%
Bayswater (C)	198	0.6%
Mosman Park (T)	187	0.6%
Belmont (C)	184	0.6%
Rest of Western Australia	4,011	12.3%
Rest of Australia	22,519	68.9%
Overseas	6,133	18.8%
Total In-Migration	**32,663**	**100.0%**

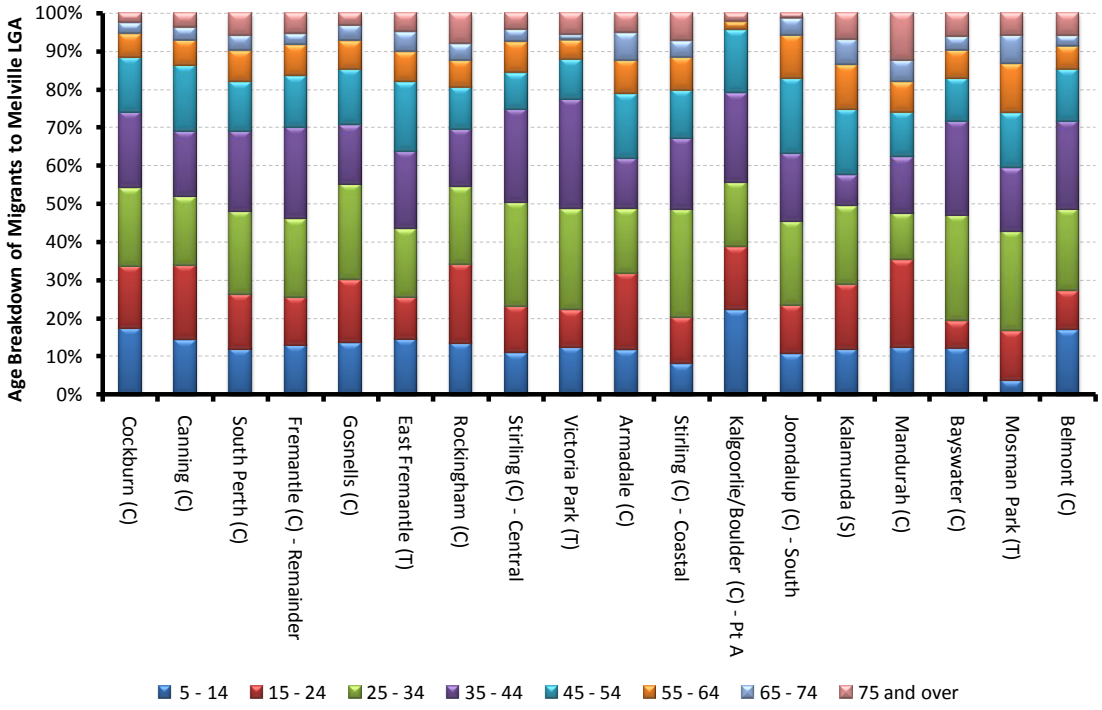
Source: ABS Census of Population and Housing (2006) and MacroPlan Australia (2009)

The table above reveals that the vast majority of inward migration to the Melville LGA is locally driven, with neighbouring Cockburn LGA providing the largest number of inward migrants to the target region, followed by Canning and South Perth LGAs. There were also a sizeable number of

people who migrated from the East Fremantle LGA. Yet, the most interesting indicator is the fact approximately 6,133 people migrated from overseas, reinforcing the large share of overseas migrants in the current Melville population. This level is over three times larger than that of the migration levels from Cockburn LGA, highlighting the role that overseas migrants play in Melville's population growth.

An examination of the age specific breakdown of this in-migration reveals considerable variation across the places of origin. Approximately 70% of migrants from Cockburn LGA were 44 and younger, suggesting young families and people of working age. In contrast, migrants from East Fremantle had a larger share of people 45-54, reflecting the age profile of that municipality. Finally, migrants from areas such as Kalamunda, Mandurah and Mosman Park had a decidedly older age profile with over 25% of migrants being aged 65+

Figure 20. Age Breakdown of Migrants to Melville LGA, 2001-2006



Source: ABS Census of Population and Housing (2006) and MacroPlan Australia (2009)

Overall, the largest domestic migration origins for the City of Melville all possess comparatively younger age profiles than that of the City of Melville at present. In 2008, only 56% of the population of Melville was aged 44 and younger while this age cohort accounted for at least 70% of migrants from the top five domestic locations.

4.2.3 Key Opportunities and Challenges

MacroPlan has identified the following key opportunities and challenges for the City of Melville, relating to this theme:

Opportunities

- A younger age profile among migrants and new residents to Melville will have the effect of reducing the proportional burden on the municipality of an ageing of the existing residential population in the medium term.

- The age profile of migrants suggests that employment, education and housing availability are key drivers of decision to relocate to Melville. This suggests that increased commercial and employment activity in the municipality, in combination with improved accessibility to the CBD will support growth in the migration of younger families and households to Melville over time.

- The overall growth in the population will increase the rates base for the City of Melville. This will allow the municipality to reach a critical mass of population that will assist in funding the delivery of enabling infrastructure, facilities, services and development through the capture of economies of scale based efficiencies.

Challenges

- Increased population growth in the City of Melville will increase demand for housing, services, transport and other key services, facilities and infrastructure. This growth is in stark contrast to the period of consolidation over the past 15 years and therefore will require a change in the city's operational and service delivery models.

- Reaching a critical mass of population (100,000+) presents opportunities to capture economies of scale-based efficiencies in terms of service delivery and infrastructure investment;

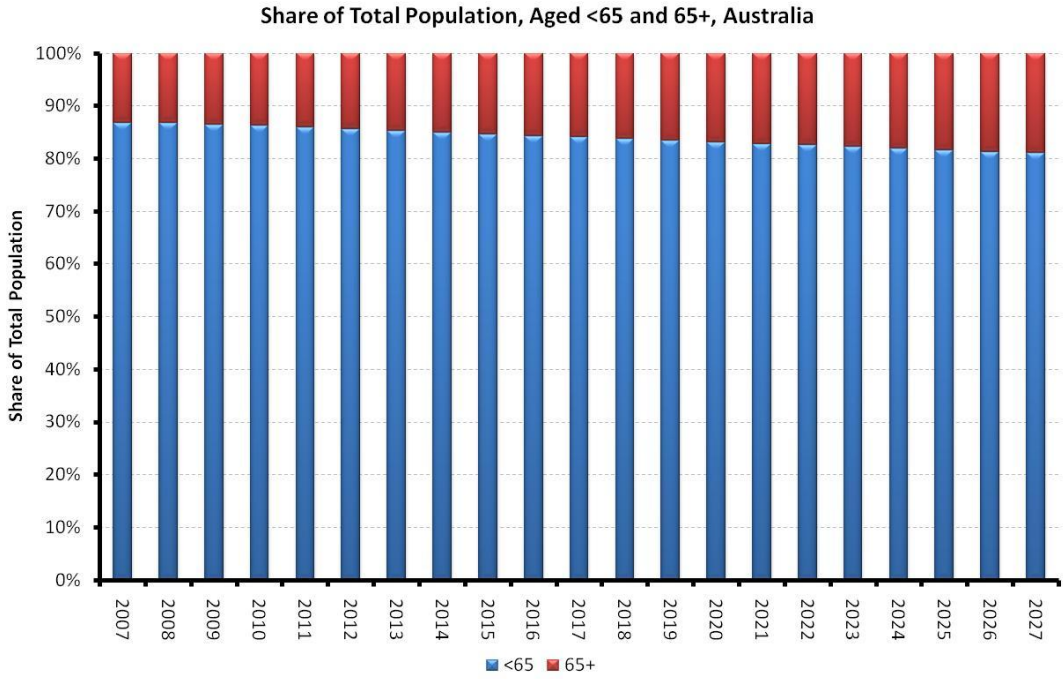
- The increase in population will only partly negate issues around the ageing of the population. The City of Melville will therefore continue to be confronted with issues such as proportionally reduced revenue, increased service demand and costs, decreased personal mobility and other age-specific issues.

4.3 Wealth, Health and Ageing

4.3.1 Theme Overview

As highlighted in the Intergenerational Report 2010, Australia's population is ageing. Over the next 20 years, the share of people aged 65+ in Australia will increase from approximately 12% in 2007 to approximately 20% in 2027. This ageing of the population is a well recognised phenomenon however, the impacts are still not well understood – namely the impactions on health and wealth.

Figure 21. Share of Australia's Population Aged 65+, Australia

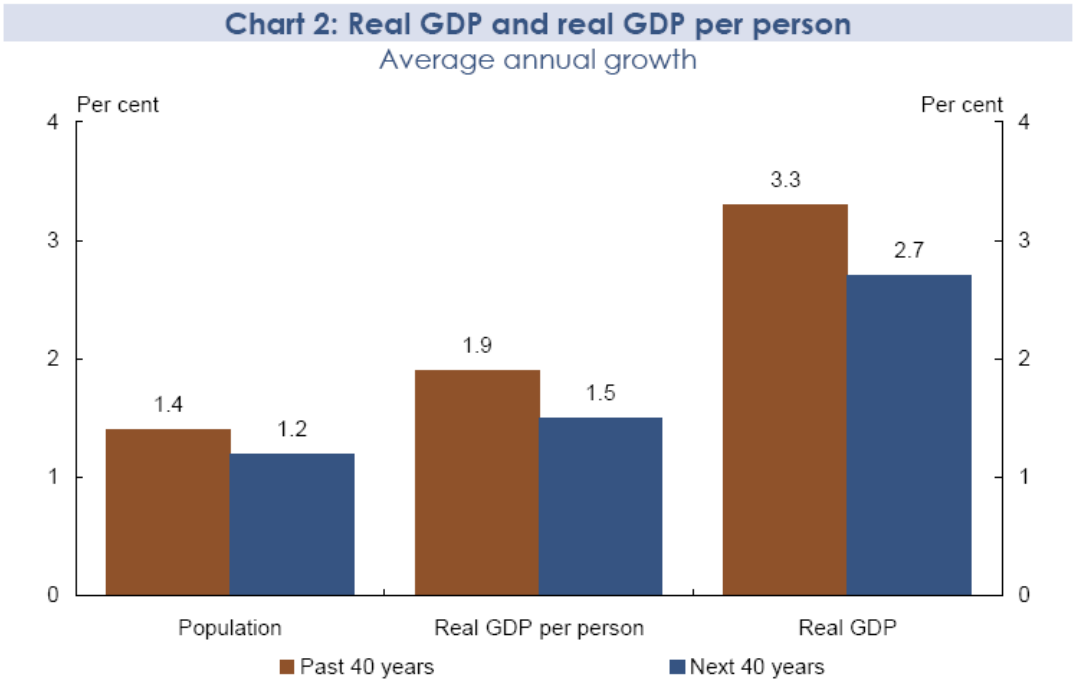


Source: Department of Health and Ageing (2009) and MacroPlan Australia (2010)

In terms of health, the analysis in section 2 of this report illustrates that the ageing of the population will result in an increased cost burden on the Federal and State Government for the delivery of health services to older Australians. This, coupled with the proportional decline in the number of workers and associated tax revenue declines, creates an unsustainable fiscal environment. While the faster population growth rate projected in the Intergenerational Report 2010, in comparison with the 2007 version, will assist in mitigating this issue, health has and will continue to represent a major component of the Australian economy and the budgets of State and Federal Governments.

With regard to wealth, the Intergenerational Report 2010 highlights the fact that Australians will continue to experience a real growth in wealth and affluence as a result of economic growth over the next forty years. Real Gross Domestic Product per person is forecast to increase by 1.5% per annum in Australia over the next four decades. However, this is down from 1.9% per annum since 1970, illustrating the impact of the ageing population on economic growth as highlighted in the review of the Intergenerational Report in section 2 of this report.

Figure 22. Read Gross Domestic Product Growth Rates, Past and Future 40 years, Australia



Source: Intergenerational Report (2010)

Nevertheless, the continued growth in real economic activity will invariably translate into higher personal and household incomes, relative to costs. This wealth growth will be supplemented by the ageing of younger cohorts in society over the next forty years who have had a greater and increasing exposure to compulsory superannuation at more lifestyle-sustaining levels of 9 and 12%.

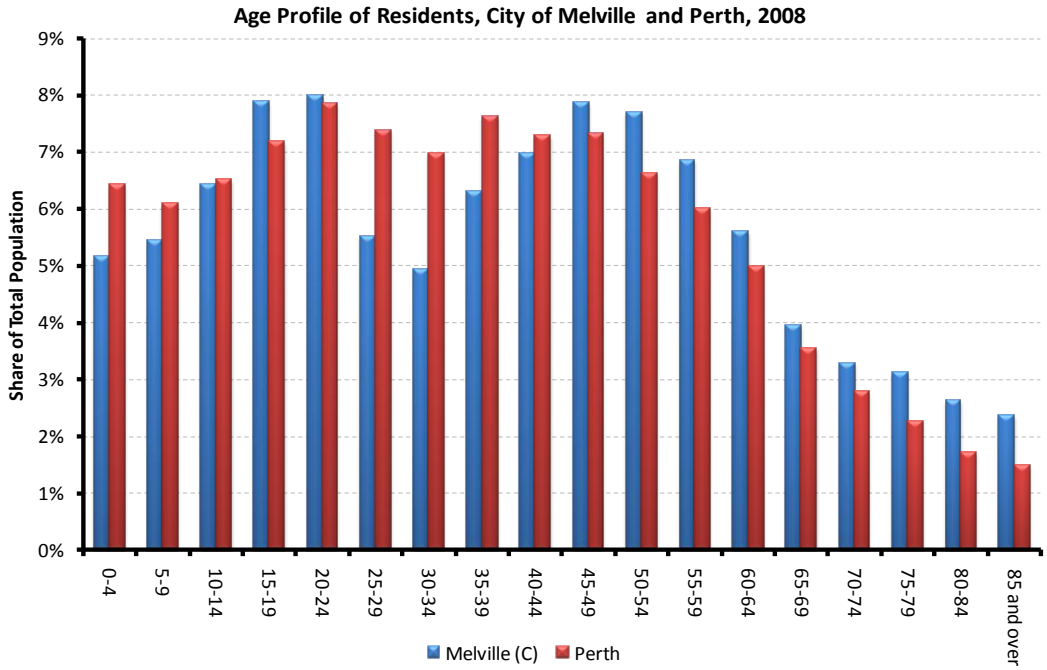
For those households reaching retirement in the near future, who have not had the same level of exposure and investment in superannuation, the family home represents the primary asset. The capacity of the household/individuals to retire with a reasonable quality of life is therefore dependent on the ability to cash-out the family home and move to a smaller and less expensive dwelling (either in more affordable locations or more affordable housing products – townhouses and units. For those couples who do not, the asset rich/cash poor nature of their wealth status means that they have a high risk exposure to increases in costs of living, including health, energy, water and Local, State and Federal taxes and charges.

4.3.2 Local Issues and Context

Ageing

The City of Melville currently has an age profile biased towards mature families (comprising people aged 45-54), university students (15-24) and older households (55+). In contrast, Melville has below average share of people in the primary working age/young family cohorts (25-44) reflecting a range of factors including housing accessibility and price.

Figure 23. Share of Population by Age, City of Melville and Metropolitan Perth, 2008

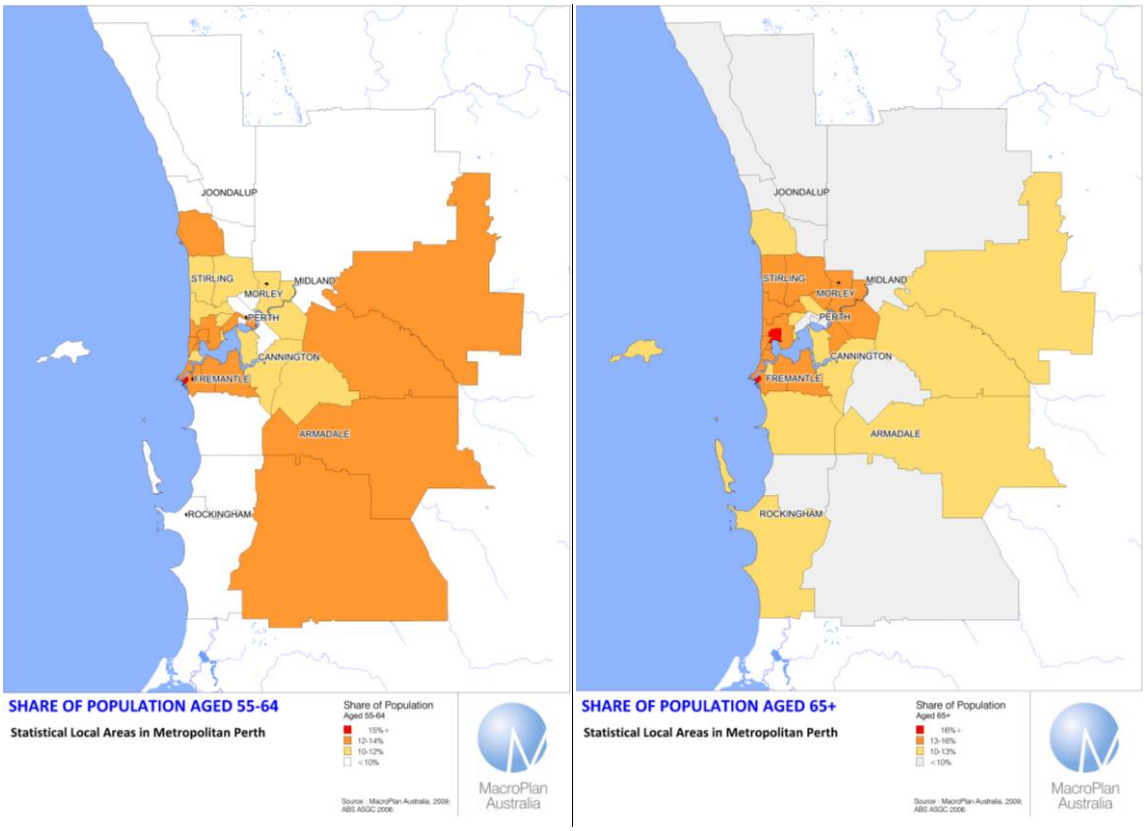


Source: ABS 3235 Population by Age (2009) and MacroPlan Australia (2010)

This profile suggests that Melville is positioned to experience an above average impact from the ageing of the population. The transition of the 45-64 age group (the primary Baby Boomer cohort) into retirement will see a substantial reduction in the number of people of working age. This will be countered to a degree by a younger in-migration profile, but will remain a critical issue for the city.

This ageing will increase the demand for health services by local residents. However, the establishment of the Fiona Stanley hospital and health precinct has the potential to elevate Melville's role into a regional health hub. This will have the effect of further enhancing the attractiveness of Melville to older households from across the metropolitan region. This reflects the age specific migration patterns that see residents aged 65+ returning to inner city locations after relocating to outer suburbs between 55 and 64.

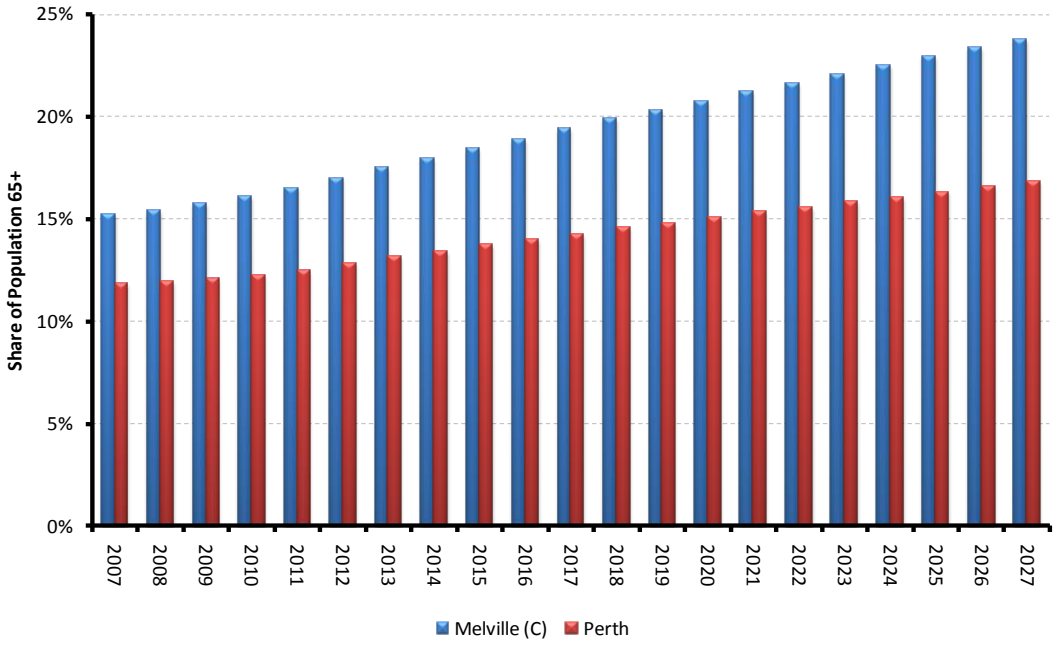
Figure 24. Migration Patterns, 55-64 and 65+, Metropolitan Perth, 2001 to 2006



Source: ABS Census of Population and Housing (2010)

Existing population projections suggest that this ageing will accelerate in the future as the current and future populations progress through their lifecycle. This is outlined in the figure below. However, this is based on existing population projections that assume a continuation of the historical consolidation phase and does not consider the acceleration in population growth since 2004 and expected over the next 15-20 years. Nevertheless, the predominance of mature families and older residents in the current age profile suggests that Melville is particularly susceptible to issues relating to population ageing.

Figure 25. Share of Population Aged 65+, Melville (C) and Metropolitan Perth, 2007 to 2027



Source: Department of Health and Ageing (2009) and MacroPlan Australia (2010)

Health

Melville is well placed to service an ageing population requiring increased health and medical facilities. The development of the Fiona Stanley Hospital will increase the prominence of Melville as a regional health centre.

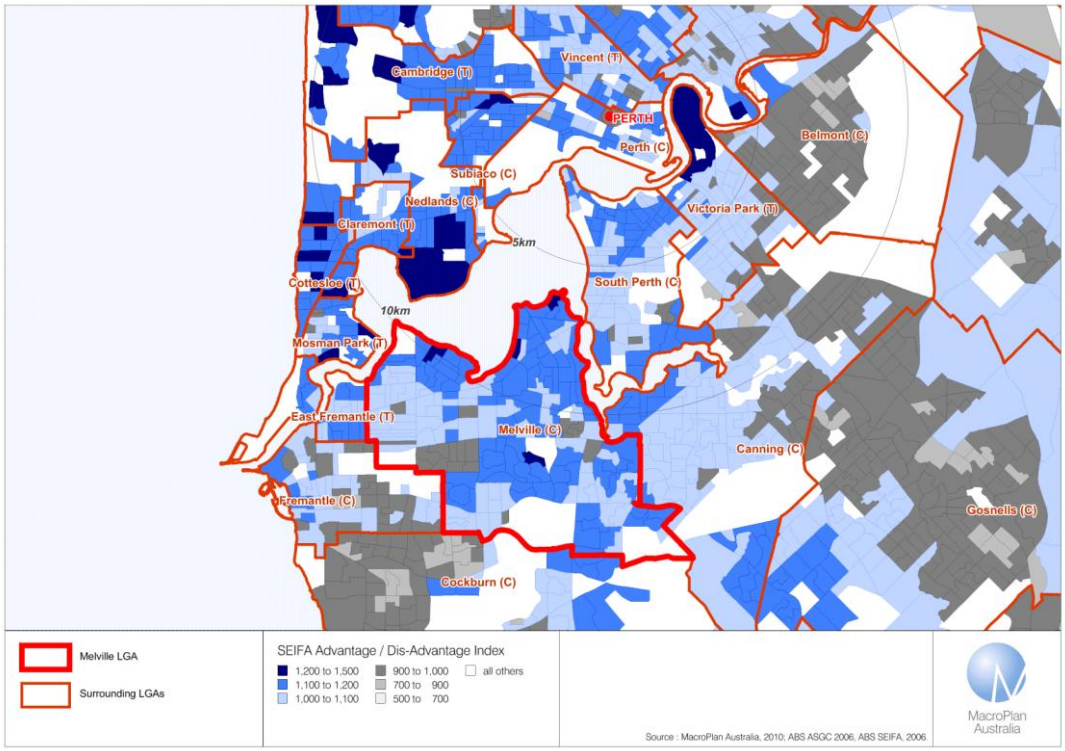
Fiona Stanley Hospital will be located on a site at Murdoch, approximately 15 kilometres south of the Perth CBD and nine kilometres east of Fremantle. The site will be within walking distance of the Murdoch bus/rail interchange and close to the Kwinana Freeway and other major roads. The Fiona Stanley Hospital site is 32.4 hectares in size and is bounded generally by South Street, Murdoch Drive, Kwinana Freeway, St John of God Hospital and the Murdoch Campus of Challenger TAFE. It is located within the City of Melville and bordered by the residential suburbs of Bateman, Murdoch, Leeming and North Lake.

The Fiona Stanley Hospital will offer comprehensive health care services to communities in the south of Perth and across Western Australia. The planned health precinct may also include clinical accommodation and consulting suites, and short-term accommodation to support friends and relatives of patients using the Fiona Stanley Hospital and other facilities in the area.

Wealth

In terms of wealth, MacroPlan have assessed the relative level of economic advantage and disadvantage of residents in the Melville LGA region for 2006 using the ABS Socio-Economic Index for Areas (SEIFA). This will provide further understanding of wealth and socioeconomic status in the area surrounding the subject site.

Figure 26. SEIFA – Advantage and Disadvantage, Melville LGA and surrounds (2006)



Source: ABS (2006); MacroPlan Australia (2010)

Overall, the bulk of the city is of above average levels of affluence, similar in composition to that of South Perth LGA. This is mirrored by analysis of personal income levels from the Australian Taxation Office, which reveals that not only do residents of Melville have higher average incomes than the Metropolitan average; they have grown at a faster rate over the past decade.

Figure 27. Average Personal Incomes, Melville (C) and Metropolitan Perth, 2000/01 to 2007/08

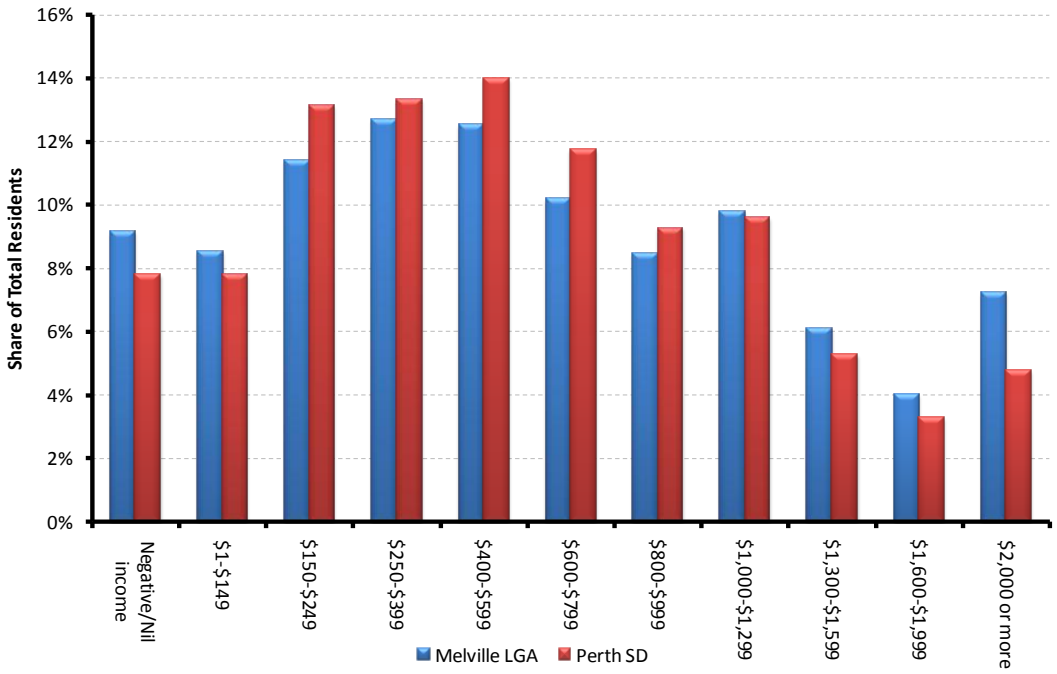
Year	Melville (C)	Perth SD
2000/01	$42,957	$37,785
2001/02	$44,118	$38,700
2002/03	$45,848	$40,443
2003/04	$49,201	$43,109
2004/05	$52,723	$46,143
2005/06	$56,563	$49,323
2006/07	$64,663	$55,419
2007/08	$68,973	$59,005
Growth ($)	$26,016	$21,220
Growth (%)	61%	56%

Source: ATO (2009) and MacroPlan Australia (2010)

Due to its above average SEIFA ranking and levels of personal income the City is considered by the Commonwealth and State Grants Commission to have the capacity to raise rate revenue at a higher level when compared to other local governments with lower income levels. As noted earlier in this report as a result of this relative "advantage" the amount the City receives from Federal Assistance Grants is at the minimum grant level. However, this overall high level of affluence and income hides pockets of below average levels of affluence particularly in the north-east of the municipality bordering South Perth.

This is another characteristic shared between Melville and the case study locations, with the likes of Boroondara LGA in Melbourne that has pockets of very low levels of socio-economic standing in the suburb of Ashburton. This is reinforced when the spread of weekly incomes are examined. While high income brackets (over $1,000 per week) are proportionally more represented than in metropolitan Perth, there is also above average shares of people with incomes below $150 per week. This highlights the existence of people in low income households, likely comprised of older residents within the municipality. This divergence between high and low income households is a genuine issue of concern for the municipality particularly as the population ages.

Figure 28. Weekly Income Brackets, Melville (C) and Metropolitan Perth, 2006



Source: Census of Population and Housing (2006)

The impact of these lower socio-economic households is a disconnect between the growth in land-value based taxes (Council Rates) and the capacity of such households to pay.

4.3.3 Key Opportunities and Challenges

MacroPlan has identified the following key opportunities and challenges for the City of Melville, relating to this theme:

Opportunities

- The development of the Fiona Stanley Hospital, within the broader Murdoch Activity Centre, will enable Melville to effectively service the health and medical requirements of its residents in the medium and long term. It will also allow the multipliers of health expenditure to be captured locally, generating jobs and economic activity.

- Population ageing can potentially be moderated in the future through a balancing of the population profile in Melville. This opportunity is facilitated by the attractiveness of the location to prospective working age migrants and their families.

Challenges

- Despite the younger age profile among migrants and new residents to Melville, the municipality will experience a more significant ageing of the population than the metropolitan average.

- Asset Rich/Cash Poor households may increase requiring new approaches to how the city raises rates revenue. These can include:

    - Superannuation style scheme for rates; and

    - Accruing rates deferral.

- The volatility and uncertainty of the residential rates base, due to population ageing and wealth imbalances will require a diversification of the city's revenues including a greater focus on commercial rates, user charges and other non-resident revenue streams.

- The ageing of the population will change the level of demand for and the delivery of key Council services. Increased use of technology and collocation of facilities with other key attractors of activity will be critical to counter decreased personal mobility.

4.4 Housing, Affordability and Density

4.4.1 Theme Overview

The growth of the population in Australia, metropolitan Perth and the City of Melville will invariably increase demand for housing. However, change in the affordability, household preference, and the demographic and socio-economic structure of society will also result in changes to the composition of this housing demand. The long-term reduction in the average household size, even in the face of rebounding fertility rates reflects changing preferences among participants in the housing market, as well as the long-term impact of significant land and housing price rises over the past two decades.

The impact of these factors is an increasing focus on and acceptability of density. This is particularly the case for inner and middle ring suburbs serviced by strong public transport connections where multi-modal travel options decrease the requirement for a second or third motor vehicle, reducing housing sizes and making townhouse and apartment living more attractive. Similarly, locations endowed with extensive open spaces and sport and recreation areas are particularly attractive due to the ability of these spaces to offset the loss of the back yard.

4.4.2 Local Issues and Context

Housing Stock

City of Melville's housing stock is slightly less diverse than the broader metropolitan area with a lower share of unit stock and a slightly higher share of townhouses. Nevertheless, approximately 80% of dwellings in Melville are detached houses, compared to 76% for the metropolitan area. This lack of diversity is a significant issue in light of the presence of tertiary education facilities in the municipality and the ageing of the population.

Figure 29. Housing Stock Mix, Melville (C) and Metropolitan Perth

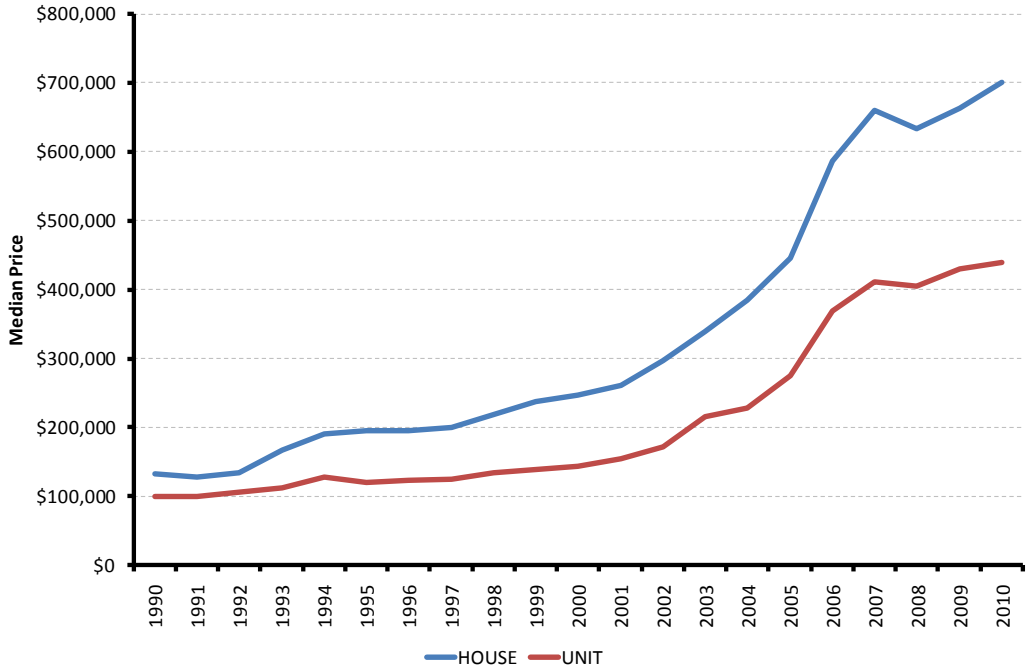
Dwelling Structure	Melville LGA		Perth SD	
	Number of Dwellings	Proportion (%)	Number of Dwellings	Proportion (%)
Separate house	27,946	81%	418,165	79%
Semi-detached, row or terrace house, townhouse	4,829	14%	62,252	12%
Flat, unit or apartment	1,661	5%	45,060	9%
Other dwelling	38	0%	2,819	1%
Dwelling structure not stated	7	0%	237	0%
Total	**34,481**	**100.0%**	**528,533**	**100.0%**

Source: Census of Population and Housing (2006) and MacroPlan Australia (2010)

House Prices and Sales

According to the figure below, house and unit prices in the City of Melville have rising significantly over the past two decades.

Figure 30. Median Prices, Houses and Units, City of Melville, 1990 to 2010



Source: RP Data (2010) and MacroPlan Australia (2010)

After steady growth between 1990 and 2001, the property boom in the early to mid 2000's accelerated price growth and saw median house prices reach $660,000 in 2007. Despite slight falls in 2008 due to the GFC, this growth has continued be it at a slightly slower pace to the point where, in 2010, median house prices in Melville reached $700,000 for the first time.

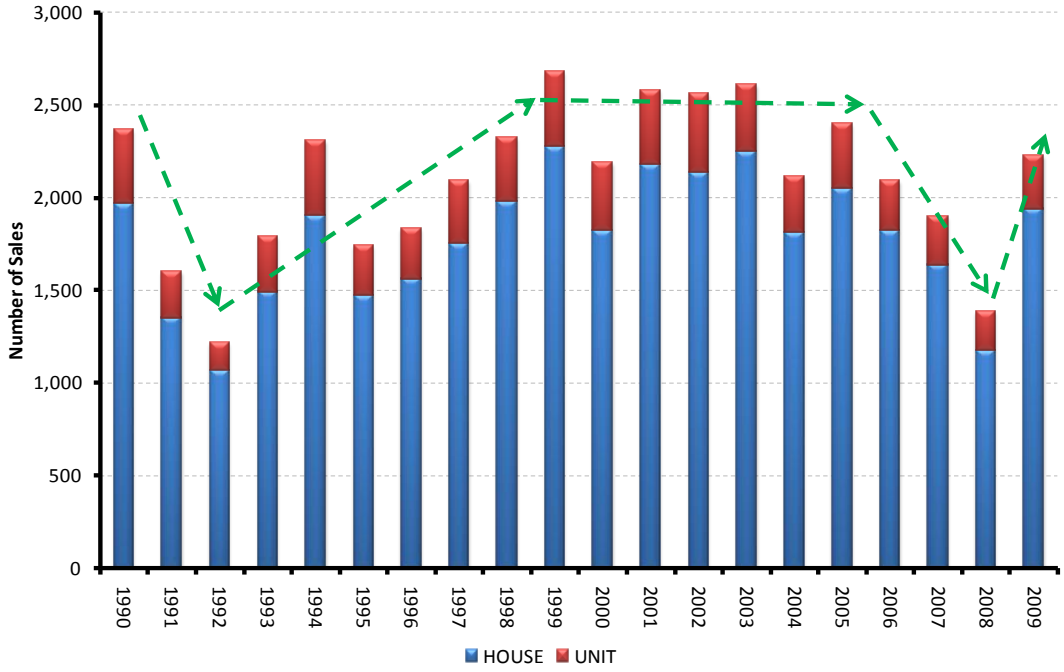
In contrast, unit prices in Melville have been less significant. Currently, median unit prices in the City of Melville are $440,000, up from $215,000 in 2003 but far lower than house prices. Interestingly the gap between house and unit prices increased from $100,000 in 2000 to $261,000 in 2010.

This price growth is a reflection of local, regional and national factors. House prices increased sharply across the entire metropolitan area during the 2000's in response to national deregulation of the financial industry, lack of reform in terms of personal income tax, constrained land release and building constructions and increased disposable income and purchasing power. In the case of Melville, the price rises appear to be in response to the attractiveness of the location and the generally lack of housing supply.

With the completion of remaining Greenfield locations before 1990, Melville's accommodation growth as invariably been infill development, which is naturally slower and less responsive to market forces. A lack of development during this period is reflected in sales data. Between 1990 and 2010, sales volumes dropped during the 1992 Recession and the GFC but broadly remained

within a 2,000 to 2,500 sales per annum bracket. Despite significant growth in demand during this period, sales did not spike and remained relatively consistent from between 1998 and 2006. This suggests a supply constrained environment, where the churn in existing stock represents the primary source of housing for new entrants to the market.

Figure 31. Number of Sales, Houses and Units, City of Melville, 1990 to 2010



Source: RP Data (2010) and MacroPlan Australia (2010)

Building Approvals

This is supported by an analysis of residential building approvals. Between 2001/02 and 2008/09, the number of new, private houses and other residential dwellings declined from 563 per year to 309 per year. This aligns with a period of constrained dwelling sales in Melville and accelerating housing prices, illustrating the impact of supply on the overall market dynamics.

Figure 32. New, Private Residential Building Approvals, Houses and Other Residential, 2001/02 and 2008/09

Year	Houses	Other Residential	Total
2001/02	459	104	563
2002/03	478	95	573
2003/04	403	159	562
2004/05	368	70	438
2005/06	468	73	541
2006/07	183	82	265
2007/08	271	98	369
2008/09	228	81	309

Source: ABS 8731 Building Approvals (2009) and MacroPlan Australia (2010)

Despite this, approvals in recent years have increased since their 2006/07 lows and potentially reflect the onset of the GFC. The increase in residential population in 2009 and 2010 suggest that housing availability has increased though whether this is from new or existing dwelling is unknown.

Affordability

Affordability is a factor of both house price and local income. It can and has been assessed in a variety of ways depending on whether it is being analysed from the perspective of low-income households or overall price affordability. In this case, MacroPlan has examined housing affordability from the second perspective – general price affordability in the municipality.

According to international consulting firm, Demographia[1], and their International Survey of Housing Affordability, housing globally is affordable at prices approximately 3 times and below the household income. Based on these criteria there are currently no affordable housing markets in Australia with Perth and surrounding regions particularly unaffordable.

Assuming that household income is equal to 1.75 times the current personal income averages in Melville, this is equivalent to $354,000 for a dwelling, half of the current median house price and below the current median unit price.

Figure 33. Affordable House Price Levels, City of Melville, 2010

Indicator	Value
Household Income	$118,125
Current House Price	$700,000
Current Multiplier	5.9
3 X Multiplier	$354,375
4.5 X Multiplier	$531,563

Source: Demographia (2010) and MacroPlan Australia (2010)

However, this level of multiplier is not directly relevant to Australia. Last year the RBA suggested that Australians could afford to pay more for their housing due to lower costs in other areas of their lives, namely health. As such a 4.5 times multiplier of house price can be applied, resulting at an affordable median house price in the City of Melville of approximately $530,000. This continues to be well below current price levels, but is above the median price for units. This suggests that in the current market, the most effective mechanism for increasing accessibility to affordable housing product is through the increase in residential densities. This will help address issues of asset rich/cash poor older households by providing an avenue for downsizing within the local area. This will also free up detached housing for families and allow a balance to be struck in terms of ageing in place and highest and best use of residential dwellings.

[1] http://www.demographia.org

Future Unit Supply

It is critical that future unit supply is managed effectively. While the existence of a strong university student/white collar professional/retiree market base exists in Melville to support unit uptake, the bulk nature of unit supply (the lack of ability to stage developments due to finance and construction), means that an oversupply position can be easily reached. This would shift the Melville property market into a highly volatile and cyclical market environment, which would be damaging to current and future land holders and the consistency of the city'sresidential revenue base.

4.4.3 Key Opportunities and Challenges

MacroPlan has identified the following key opportunities and challenges for the City of Melville, relating to this theme:

Opportunities

- Student and older residents provide key potential markets for higher density residential, which would support the uptake of new supply;
- There is capacity to leverage off major commercial developments such as Canning Bridge and Fiona Stanley Hospital to catalyse precinct based density; and
- The adoption of a planned evolution approach to urban development will facilitate non-precinct based density increases so long as zoning, planning and developer charges frameworks are suitable to facilitate private sector investment.

Challenges

- The trajectory of building approvals is currently negative and will need to increase above long-term averages in the near future to support population growth;
- A balance must be struck between the policy of facilitating ageing in place with the benefits associated with freeing up detached houses for working families;
- There is a critical need to ensure major unit supply in the next 10 years is appropriately managed so that the current supply constrained environment does not give way to a volatile period of oversupply – this requires the development of a **Housing Strategy**.

4.5 Transport, Congestion and Mobility

4.5.1 Theme Overview

Transport is a critical enabling infrastructure of the Australian economy and society. In the absence of high levels of personal mobility:

- Social networks are constrained;
- Labour force catchments are smaller, decreasing business access to workers and worker access to jobs;
- Retail catchments are smaller;
- Innovation and productivity is reduced by a lack of cross-sectoral fertilisation of knowledge and ideas; and
- Access to critical facilities and services, such as health, education and community services are constrained, affecting the quality of life of individuals.

The establishment of Infrastructure Australia is designed to facilitate increases in Australia's personal mobility and foster productivity in the economy through strategic investments in enabling infrastructure.

Transport congestion plays a critical role in the development of our urban environments. Nationally, existing and planned centres such as Chatswood/North Sydney, St Kilda Road and Monash in Melbourne, Bowen Hills and Fortitude Valley in Brisbane and Stirling in Perth are all located at critical congestion points within their respective urban environments.

The attractiveness of a CBD to businesses is that, due to the radial nature of our transport systems, the labour force, supply chain and customer catchments are all maximised. However, as congestion increases to unsustainable levels, the benefit of this central location is undermined and locating where these congestion points start is incentivised.

This is a natural part of the evolution of urban locations nationally and internationally and presents a potential opportunity for the City of Melville in the southern metropolitan area. Potential locations where this opportunity could be realised include:

- Canning Bridge – location of major congestion "pinch point" and site of proposed redevelopment and built-form intensification;
- Murdoch Activity Centre – location of major current and future non-CBD transport destinations (Fiona Stanley Hospital, St John of God Hospital, Murdoch University campus etc) with significant proposed commercial office floorspace collocated with public transport;
- Melville City Centre – (Booragoon) – location of major quality retail offering with an extensive regional catchment. Opportunities for diversification and intensification of uses.

4.5.2 Local Issues

Resident Travel Patterns

According to the Census in 2006, residents of the City of Melville have a travel mode breakdown to work almost identical to that of the rest of metropolitan Perth. The only, minor exceptions are slightly higher car usage and slightly lower passenger and other motor vehicle usage. This reflects the inner/middle ring nature of the location and the fact that heavy rail infrastructure skirts the boundary of the municipality. Bus usage accounts for the vast majority of public transport usage in Melville.

Figure 34. Method of Travel to Work, Melville (C) and Metropolitan Perth, 2006

Travel Mode	Melville (C)	Perth
Public Transport	9%	9%
Active Transport	3%	3%
Car as a Driver	63%	62%
Car as a Passenger	5%	6%
Other Private Motor Vehicle	1%	2%
Worked From Home	4%	4%
Did not go to Work	12%	12%
Other	2%	3%
Total	**100%**	**100%**

Source: Census of Population and Housing (2006) and MacroPlan Australia (2010)

This is supported by current levels of passenger motor vehicle ownership in Melville. In 2008, there were 61,029 passenger vehicles registered in the City of Melville. This equates to approximately 0.61 passenger vehicles per person, slightly below the metropolitan average of 0.62. This difference is likely a reflection of the older population profile of the City of Melville.

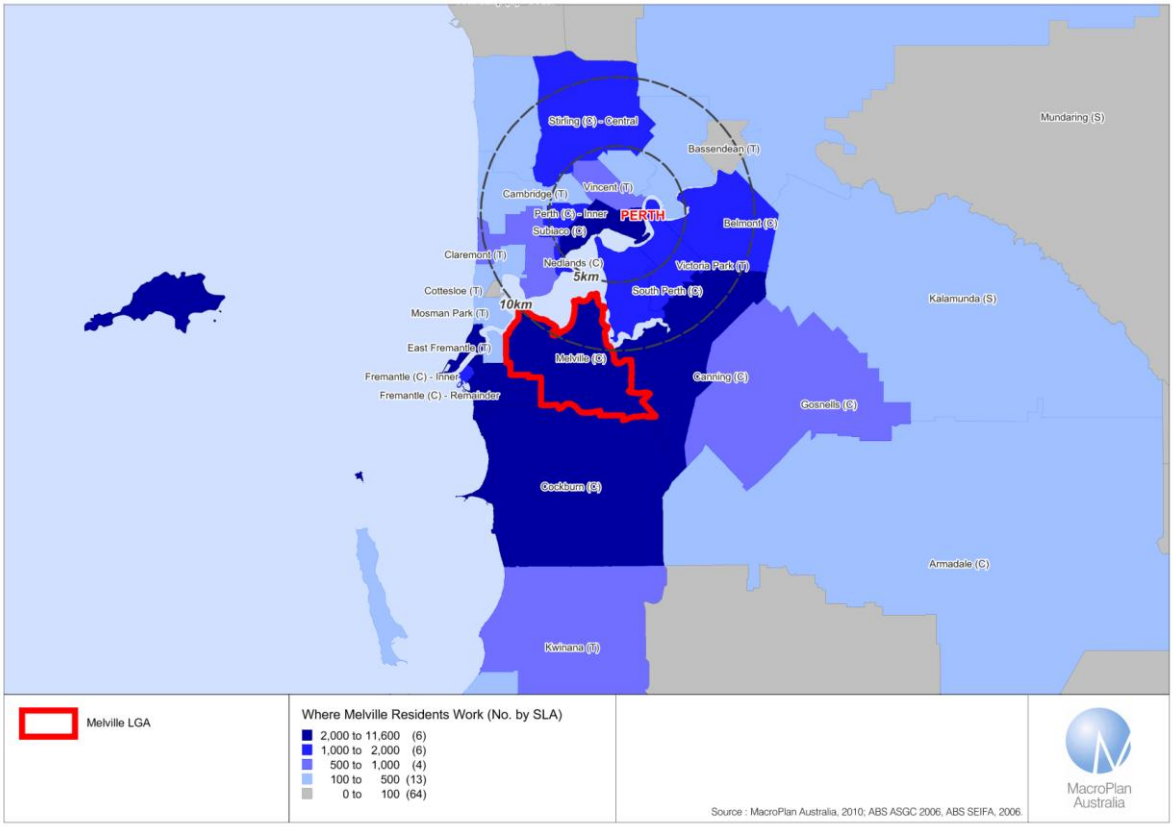
Figure 35. Passenger Vehicles per Resident, Melville (C) and Metropolitan Perth, 2008

Indicator	Melville (C)	Perth SD
Number of Passenger Vehicles (2008)	61,029	988,910
Population (2008)	99,338	1,606,827
Motor Vehicles Per Capita (2008)	**0.61**	**0.62**

Source: ABS 9309 Count of Motor Vehicles (2008) and MacroPlan Australia (2010

While a large percentage of Melville residents work locally or in Cockburn, there is an obvious bias on Inner city locations such as South Perth, Perth and Subiaco LGAs. So despite the proximity of residents to their place of work, the private motor vehicle continues to be the dominant form of transport, adding to metropolitan congestion in key inner city locations.

Figure 36. Place of Work of Melville Residents, 2006



Source; Census of Population and Housing (2006) and MacroPlan Australia (2010)

Melville as a Traffic Intervention Location

The figures above relate to the travel patterns of local residents. However, the drivers of traffic congestion in the City of Melville in the future relate not to residents but to workers. According to analysis of the journey to work flows of people who work in Melville, the vast majority originate from Cockburn, Canning, Gosnells and Rockingham LGAs. All of these locations are either east or south of Melville, meaning they converge on the municipality and add to congestion along major arterial roads (such as the Kwinana Freeway) and pinch points (Canning Bridge).

The latest traffic estimates as part of the Canning Bridge Master Plan indicate that currently on the Kwinana Freeway there are 114,790vpds south of the Canning Highway/Kwinana Freeway Interchange and a total of 136,460 north of the interchange (the difference reflects the net number of additional vpds generated from the area north of the interchange located within the City of Melville).

Figure 37. Kwinana Freeway Traffic Estimates 2010

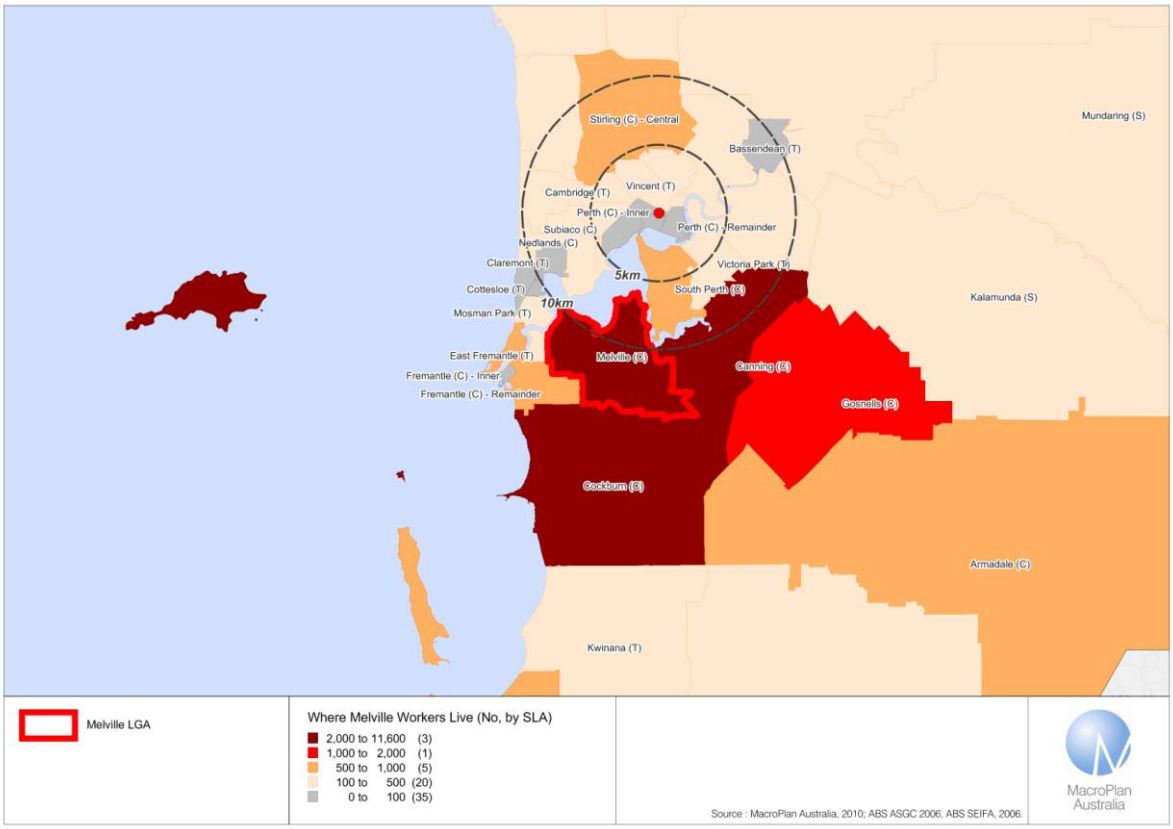
Table 1 – Kwinana Freeway daily traffic volumes

Northbound	South of Canning Highway off-ramp	56,110
Northbound	North of Manning Road on-ramp	52,020
Northbound	North of Canning Highway on-ramp	67,030
Southbound	North of Canning Highway off-ramp	55,120
Southbound	South of Manning Road off-ramp	47,780
Southbound	South of canning Highway on-ramp	58,680

Source: GHD (2010)

The fact that Melville workers generally live south or east of the municipality suggests that Melville is strategically located to act as a key traffic and activity intervention location on the south side of the Perth CBD.

Figure 38. Place of Residence of Melville Workers, 2006



Source: Census of Population and Housing (2006) and MacroPlan Australia (2010)

Increased transport sustainability within the metropolitan network can be achieved by providing workers with an attractive alternate employment location where traffic congestion begins to build. Therefore, instead of having to travel into the CBD for employment, there is opportunity for the development of Melville to act as an intervening business and employment location, lowering average travel to work times and distances.

This means that for residents, who are likely to continue to travel into the CBD regardless of local employment opportunities – due to wage and other factors – road congestion levels in the inner city would be lower, to the benefit of all residents. On the other hand, the regional attraction of Melville will increase local and internal traffic. This will increase the need for improved transport corridors and movement patterns within the municipality for residents, workers and visitors alike.

Car Parking

The most obvious implication of Melville's future role as a traffic intervention location in the southern metropolitan area is that of car parking. If more people, due to reasons of employment, retail, health, education or other attractor, choose Melville as their end destination over and above that of the Perth CBD, car parking demand will invariably increase. However, current car parking provision within the municipality is either related to local resident uses or, in the case of Melville City Centre Booragoon (with 76,000 sqm of floorspace and 4,200 parking bays[2]) to existing regional but specialised roles.

Applying GHD parking space ratio, there is demand for an additional parking space demand for every 40sqm of commercial office space. Therefore, development of around 400,000sqm – equivalent to 25% of the Perth CBD, would require approximately 10,000 parking spaces. This is not a sustainable outcome for centres undergoing significant intensification of activity.

Instead, an appropriate strategy or policy regarding parking must be established. Core to this is an appropriate parking space levy. This levy is a form of user charge that can be implemented due to the level of demand for parking as a result of the shift of Melville to a regional intervention location and the draw down on infrastructure, services and space from non-residents. However, balance must be struck so that, in line with the principles outlined in the Henry Tax review, the charge levels are not onerous to the point of impacting investment decisions and adversely altering the potential economic and business activity in the municipality.

4.5.3 Key Opportunities and Challenges

MacroPlan has identified the following key opportunities and challenges for the City of Melville, relating to this theme:

Opportunities

- Congestion will support demand for commercial and employment activity to locate in Melville (Murdoch, Canning Bridge etc), reducing average travel time and inner city congestion particularly north of the Canning Highway/Kwinana Freeway Interchange; and

[2] Property Council of Australia Shopping Centre Directory (2009)

- City of Melville residents, who wish to travel to the CBD, will experience reduced congestion, improving quality of life at reduced time and travel costs.

Challenges

- Increased demand for car parking by non-residents with require constraining parking ratios, appropriately priced **parking space levies** and the need for a broader **Car Parking Policy**; and

- Increased localised congestion as a result of being a regional traffic intervention location - related to employment, retail, health, education and other attractors. This will increase the requirement for the localised travel networks including pedestrian, cycle and secondary public transport.

4.6 Economic Centres, Precincts and Nodes

4.6.1 Theme Overview

Improving productivity within the economy is critical to ensuring the ageing of the population does not curtail economic growth to the point where the quality of life of future Australians is reduced. The Intergenerational Report 2010 highlights that real growth in Gross Domestic Product is forecast to slow over the next forty years (1.2%pa) in comparison to the last forty years (1.4%pa) – a reflection of the impact of the ageing population and the cost burden on Government and therefore on working age people in supporting a large retiree population.

At a national level, investment in infrastructure, skills and training and other economic enablers is critical to enhancing productivity and economic growth and countering the economic effects of population ageing. Such investments, through Infrastructure Australia and the Education Revolution, are currently the focus of the Federal Government. However, the impacts of population ageing on the economy will also be experienced at the State and Local level.

Locations with a high risk exposure to population ageing will inevitably experience a greater dampening of their local economies than those locations with younger age profiles. This reflects reductions in the growth of local expenditure pools as well as declining labour force catchment sizes for existing and prospective employers. However, no one Local Government area operates as an isolated economy and as such, the effects of local demographic changes will be inevitably influenced by conditions in adjacent LGAs as well as the broader metropolitan area. This reflects the regional nature of economic activity and the freedom of movement of customers and workers through our transport network. Nevertheless, the ability of Local Governments with a high exposure to population ageing to grow their productivity and economies at a sufficiently robust rate to maintain and grow resident quality of life is dependent on the creation of regionally significant centres, nodes and precincts of economic and business activity to support greater levels of integration with the regional economy.

4.6.2 Local Issues and Context

As highlighted in the case study analysis, Melville currently has a below average number of businesses and level of employment self-sufficiency when compared to similar municipalities in Melbourne and Sydney. This reflects the current role and function of the City of Melville within the metropolitan Perth area – that of a stable, gentrified, high amenity residential location with local and regional level population-based services (health, education etc).

However, as highlighted in the transport section above, traffic congestion will incentivise the location and investment of businesses in the City of Melville over the next 20 years, creating a need for significant commercial/office accommodation at strategic locations within the municipality. This will diversify Melville's activity composition and enhance its regional role within the metropolitan economy.

Historical Employment

Over the 5 years to 2006, the number of jobs in the City of Melville increased from 26,000 to 27,850. This represents growth of approximately 1,900 jobs over five years at an annual growth rate of 1.4%. When compared with population growth over this time (0.12%), this suggests that

Melville is already diversifying towards a better mix of uses and activities within the municipality.

Figure 39. Employment Growth by Industry, City of Melville, 2001 and 2006

Industry	2001	2006	Growth (No.)	Annual Growth (%)
Agriculture, Forestry and Fishing	150	154	4	0.5%
Mining	290	337	46	3.0%
Manufacturing	1,858	1,762	-96	-1.1%
Electricity, Gas and Water Supply	67	75	8	2.3%
Construction	1,449	1,858	408	5.1%
Wholesale Trade	1,050	874	-176	-3.6%
Retail Trade	6,304	5,453	-851	-2.9%
Accommodation, Cafes and Restaurants	998	1,872	874	13.4%
Transport and Storage	432	568	136	5.6%
Communication Services	180	245	65	6.3%
Finance and Insurance	747	805	57	1.5%
Property and Business Services	3,152	2,518	-634	-4.4%
Government Administration and Defence	441	798	357	12.6%
Education	3,384	4,184	799	4.3%
Health and Community Services	3,771	4,558	787	3.9%
Cultural and Recreational Services	534	285	-249	-11.8%
Personal and Other Services	1,160	1,499	339	5.3%
Total	**25,968**	**27,843**	**1875**	**1.4%**

Source: ABS Census of Population and Housing (2006) and MacroPlan Australia (2010)
Note: This data set only counts jobs that have been allocated to a specific industry; the actual total job count may be higher to account for jobs for which no industry has been identified

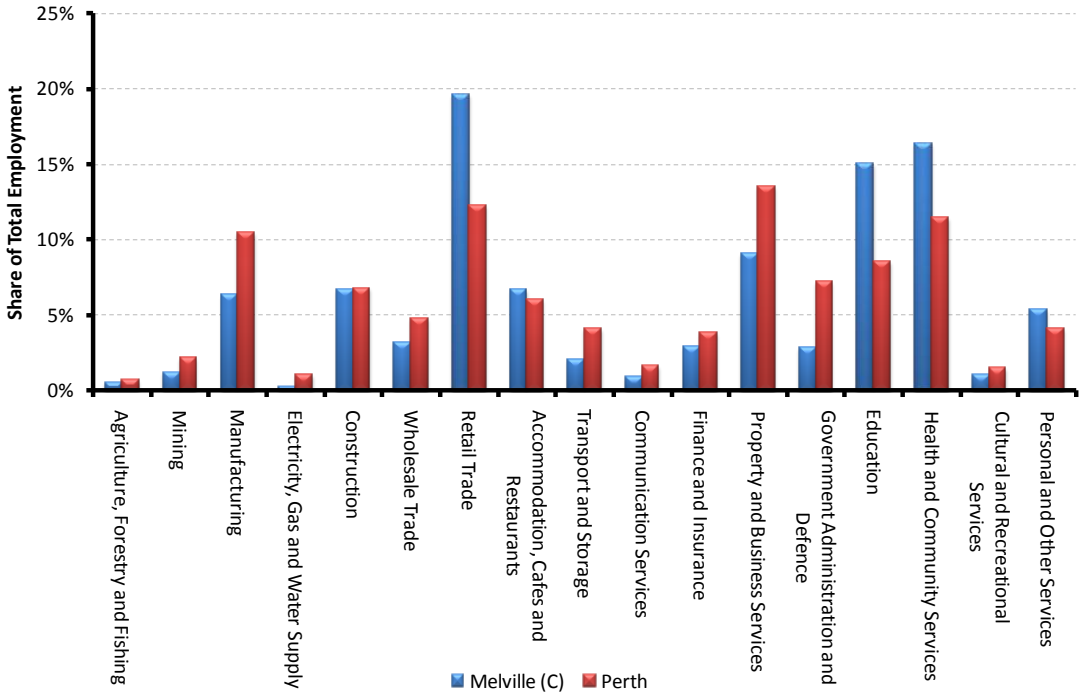
However, the growth remains slow when compared to the average employment growth in metropolitan Perth of 2.6% per annum meaning that the role of Melville as a primarily residential location was in fact reinforced during this period. As a result, Melville's share of the Perth employment market declined from 4.75% to 4.6% over this period.

The primary of driver of this declining market share is the low level of exposure of Melville to white collar employment commonly associated with commercial office accommodation. In 2006, Melville had below average shares of workers in Communications, Finance and Property and Business Services when compared to the metropolitan average, and instead had above average shares in core population serving sectors – retail, education and health. The strength of these population serving sectors reflects the existing regional role that Melville plays in the southern metropolitan area in these industries. This includes:

- the Garden City Shopping Centre at Booragoon which also serves residents of Canning, Cockburn and other surrounding municipalities;
- the presence of tertiary education facilities including Murdoch University with 1,400 staff and 18,000 students; and
- existing health and community facilities.

This concentration of population serving employment is illustrated in the following figure.

Figure 40. Industry Structure of Employment, Melville (C) and Perth, 2006



Source: MacroPlan Australia (2010)

Business Activity

In 2007, there were approximately 9384 businesses with their registered address in the municipality. Of these, approximately 5,800 were non-employing – they were self-employed businesses with only the owner – leaving approximately 3,600 businesses employing workers. To place this in context, this is equivalent to approximately 10.5 residents per business in the municipality and 27.5 residents per employing business. These ratios are broadly in line with the averages for the broader metropolitan area but are below the likes of Canning (25 residents per employing business), Fremantle (25 residents per employing business) and South Perth (13 residents per employing business) suggesting a lower level of economic intensity than would be expected in inner/middle ring suburbs of Perth. In terms of size, the businesses in Melville are also smaller, with only 8.8% of employing businesses having 20 or more staff, compared to 10.9% in metropolitan Perth.

Major Employment Centres

There are a range of existing and proposed economic centres in Melville including:

- Fiona Stanley Hospital, St John of God Hospital/Murdoch Activity Centre/Murdoch University;
- Melville City Centre (Garden City) Booragoon; and
- Canning Bridge Redevelopment.

The Fiona Stanley Hospital will be the cornerstone of a broader education, health and activity precinct commonly referred to as the Murdoch Activity Centre (MAC). The MAC is a 64-hectare area that is bounded by South Street to the north, Farrington Road to the south, the Kwinana Freeway to the east, and Murdoch Drive and Murdoch University to the west. Over time, the MAC will be further developed by State Government agencies and the City of Melville into a large urban centre with the development of retail and residential areas around the nearby Murdoch bus/rail interchange. Significant volumes of commercial floorspace are also mooted.

Melville City Centre, Booragoon (Garden City) is currently recognised as one of Perth's leading quality retail centres. It currently houses 7 major tenants and 217 specialty stores, as well as a small amount of commercial office space over approximately 80,000 sqm. Tenants include:

- Myer - 16,404 sqm
- David Jones - 8,182 sqm
- Kmart - 6,873 sqm
- Coles - 4,126 sqm
- Woolworths - 3,388 sqm
- Freedom Furniture - 1,912 sqm
- City Beach - 1,340 sqm

The proposed Canning Bridge Redevelopment is projected to housing significant economic and commercial activity. The vision is for the Canning Bridge precinct to evolve to become a unique, vibrant, creative community centred on the integrated transport node of the Canning Bridge rail station. The precinct will be recognised by its unique location, its integrated mix of office, retail, residential, recreational and cultural uses that create areas of excitement, the promotion of its local heritage and as a pedestrian friendly enclave that integrates with the regional transport networks while enhancing the natural attractions of the Swan and Canning rivers.

The economic analysis undertaken as part of this precinct vision illustrates that the Canning Bridge precinct is a significant and desirable office space destination in the Perth metropolitan area which could support a substantial increase in office space. An increase in both residential and retail uses would complement increased office development and would allow for additional opportunities in the precinct to diversify the employment generating capacity of the area.

According to the economic analysis supporting the Precinct Vision, commercial activity in the Canning Bridge Centre is characterised by:

- 280 commercial businesses
- A workforce of 1,400 employees of which 70% (1,000) are full time
- A strong emphasis on office space representing over half (53%) of all Canning Bridge commercial space (2.5 times the Metro average 20%)

- Relatively limited retail/shop space representing 12% (5,000sqm) of Canning Bridge (a third of Metro average 35%)
- Another 1,800sqm is allocated to retail and personal service activity

By comparison, no other centre in Perth with a similar overall size (30,000-40,000sqm) devotes more than 25% of their space to offices:

- Mt Hawthorn (40,000sqm/25% office)
- Gosnells (38,000sqm/21%)
- Wanneroo (38,000sqm/21%)
- Mt Lawley (36,500sqm/19%)
- Kalamunda (34,000sqm/21%)
- Phoenix Park (32,000sqm/17%).

In the future, the redevelopment of the Canning Bridge Precinct will see an intensification and diversification of commercial activity at the site and will therefore result in an increased accommodation of businesses.

Impact on Council

The intensification of economic and business activity, particularly in white collar business services sectors, will have a significant impact on the city. Currently, there is a heavy reliance on residential rate revenue which accounts for 78% of the City's rate base as opposed to 22% for commercial rate revenue. The increase in the diversity of activity in Melville will provide an opportunity for the city to reduce its reliance on residential rates and diversify their revenue through increased commercial rates.

This balancing of rates revenue sourcing is particularly important as it will provide the city with greater exposure to the growing economy while offsetting the impacts on residential rates revenue growth from the ageing of the population.

This diversification can be further enhanced by the effective allocation of differential rates to commercial property. The application of differential rates reflects the commercial benefit received by business and land owners from the investments made and services delivered by the city. It also reflects the intensification of infrastructure usage by non-resident workers and the need to ensure that such infrastructure draw down is effective priced. Both of these factors support the application of differential rates to commercial areas within the City of Melville.

Short and medium term Special Area Levies should also be considered in areas where there is significant infrastructure investment. While developer charges should be used as a mechanism for recovering costs on smaller infrastructure expenditure items, larger investments can necessitate the establishment of Special Area/Benefit Levies to capture part of the benefit of such investment from the private sector where medium and long term enhancements to profitability and land values can be demonstrated.

A distinct advantage of a move to balancing the sources of rates revenue through increased commercial activity is the capacity of the city to indirectly leverage Federal Government funding. Local Government rates and charges are a legitimate and deductible expense for landowners and companies against company tax requirements. As such, 30% of all rates payable by businesses in Melville are in fact paid by the Federal Government reflecting the current company tax rate.

4.6.3 Key Opportunities and Challenges

MacroPlan has identified the following key opportunities and challenges for the City of Melville, relating to this theme:

Opportunities

- There is a strong opportunity to diversify the city's's rates base in face of competition from State Government Land Tax and over-exposure to residential markets;
- The creation of more commercial properties will help shift the rate raising burden from residential to commercial properties and address the imbalance of the source of rates. This will also create additional employment opportunities and reduce the need for residents to travel to the CBD or other areas to find employment.
- State Government decentralisation and high CBD prices will create opportunities for floorspace in Melville; and

Challenges

- Increased draw down of infrastructure and services by non-resident workers necessitate the application of differential rates to capture benefits; and
- Increased localised congestion as a result of greater levels of employment activity.

4.7 Recreation/Community Facilities and Technology

4.7.1 Theme Overview

The increase in population growth will intensify demand for recreation and community facilities. In addition, the changing demographic structure of the population will necessitate a transformation in the types of recreation and community facilities required to meet resident requirements. This will be facilitated, to a degree by continued improvement in telecommunications and technology, particularly associated with the establishment of national high speed broadband networks.

The National Broadband Network, is an initiative of the Federal Government which will see approximately $43b invested over 8 years in the establishment of a national high speed broadband network offering up to 12mb per second download speeds. Constructed and operated by the National Broadband Network Company (NBN Co), the network will draw upon existing telecommunication easements (due to an recent agreement with Telstra) and delivery fibre to the premises (FTTP) cable based broadband to 90% of Australian business and households with the remainder covered by a combination of wireless and satellite technologies.

The combination of growth in community and recreation facility demand, changing requirements in facilities types due to ageing and increased integration of technology, will all drive community facility and service delivery bythe city into the future.

4.7.2 Local Issues

Recreation Spaces

Currently, the City of Melville plays a significant regional role in the provision of recreation and community facilities. In particular the provision of ovals and sporting fields by the City of Melville is significant and caters for a regional population catchment extending into Fremantle, Canning, Cockburn and the southern metropolitan area.

The following issues existing relating to space:

- Sports fields require significant amounts of water and energy to maintain. Increased water and energy costs over time increases the risk profile associated with these sport fields necessitating either a shift to artificial spaces or an intensification of recreational facilities (basketball/tennis courts etc);

- Non-Resident drawn down of Melville recreation spaces and facilities necessitates the implementation of an appropriate priced User Charge. Such User Charges should be based on cost recover and are in line with the principles outlined in the Henry Tax review; and

- The aging of the population will reduce proportional demand for active recreational spaces (sports fields), due to decreased personal mobility, and increase proportional demand for passive recreation including parks, libraries and other services.

Community Facilities and Services

The enhancement of technology and communication as a result of the NBN will transform community facilities and service delivery over the next 20 years. For example, technology will drive a shift of Libraries to Customer Technology Centres which will involve:

- operational changes within such facilities/organisations
- outsourcing of required services;
- whole of network management;
- increased focus on online service access by customers; and
- real time operation management.

Such a shift will also enable libraries to integrate with other types of social facilities provided by the city, particularly youth, aged, and local community centres. It will also create the opportunity for libraries and other facilities to better integrate and collocate with other types of activities. Research by MacroPlan has shown that the collocation of libraries with retail centres enhances the attractiveness of trip-linking by customers, increasing library visitation and retail expenditure. These types of "win-win" scenarios should underpin service delivery in the future.

4.7.3 Key Opportunities and Challenges

MacroPlan has identified the following key opportunities and challenges for the City of Melville, relating to this theme:

Opportunities

- New technology oriented community facilities delivery to counter aging and decreased mobility;
- User charges for non-resident draw down of community facilities, particularly sport and recreation facilities; and
- Increased collocation opportunities between community facilities and activity centres (retail, education etc) enabling trip-linking and cross-activation.

Challenges

- Upkeep costs increase over time – need to shift to new facility type (built form intensive facilities rather than fields); and
- Need to enhance resident access to passive recreation facilities.

5 What Does This Mean for Council?

5.1 Overview

The change in the role and function of the City of Melville will require transformation in the operations, strategies, policies and service delivery of the city. In this section, MacroPlan has worked with the City of Melville to identify the themes relevant to each of the departments within the city, including associated strategy and policy documents. This impact matrix, provides a guide as to the relationship between each area of the city and the themes which will drive and characterise the future growth trajectory of the City of Melville.

5.2 Impact Matrix

The figure below illustrates the Impact Matrix. This Matrix has been completed by officers of the City of Melville's departments, with support and guidance from representatives of MacroPlan Australia.

Figure 41. Council Impact Matrix

THEME or ISSUE	TECHNICAL SERVICES	ORGANISATION DEVELOPMENT	CORPORATE SERVICES	COMMUNITY DEVELOPMENT	URBAN PLANNING	OTHER
Population and Migration	Melville has ageing population but high percentage of 15 -24yrs old.		Increased servicing needs Customer Service & Rates due to increased population and time rich highly educated retired	Would be useful to identify increases in different cultural groups, particularly ageing.	Adopt planned evolution approach.	
	Impact on com operations services, waste, maintenance, ability of buildings and drainage to cope, elevated degredation of all infrastrutre through useage.			Information on interstate migration- projections related to the resource boom.		
	Impact of pop growth in Melville on State infrastrcture water electcricity,, sewers, land fill, rubbish disposal, recycling, collection services.					
	Costs of increased pop.passed on to LGA but State should contribute. State support should be ahead of actual development. And post development once major developments have been completed.		Demand for more community facilities.			
Wealth, Health and Ageing	High standard of cycle and pedestrian access ways eg foot paths cycle ways etc.		Increase in population on fixed pension incomes resulting in less ability for them to fund increasing costs of Council Services.	Opportunity to use "health hubs" to lever economic growth - is it possible to learn from other experiences where lga's have used such opportunities for their benefit.	Diversify rate base to create additional non-residential income.	
	Higher household wealth will mean higher expectations for LGA services and infrastructure.		Increase in non rateable retirment villages due to State Government Legislation providing exemption for independent living units run by "charitable" organisations.	Increased focus on supporting older people to remain living in their own homes by both Commonwealth and State - what does this mean for Melville - significant increase in disability, increase response through our Disability and Access Inclusion Plan.		

	Natural environment and parks become more important requiring more management and maintenance. These will become more valuable to the community and should be protected from development.		Increased number of pensioners resulting in increased level of deferred rates and administration costs in maintaining pensioner records and discount schemes. Note: Deferment Scheme is currently in existence which results in the non payment of rates until sale of property with a modest interest return being funded by the State Government.			
Housing, Affordability and Density	Increased density will increase pressure on drainage systems. (loss of natural drainage through absorbsion).		An increase in affordable housing without a higher density will result in reduced rate revenue.	processes/initiatives for community engagement when moving from a gentrified residential area to one of increased density and economic	Develop housing strategy to manage	
	Inceased density should result in greater level of state govt contribution to public transport		Increased density should result in increased rate revenue.			
	Increased housing density impacts on biodiversity green spaces etc					
Transport, Congestion and Mobility	Increased density will increase demand for parking, roads etc.		Implementation of paid parking is an opportunity for securing growth in the City's revenue.	Community Perception 2007 and 2010 highlight traffic management and parking in commercial areas as priority areas for Council's focus.	Promote TODs at Canning Bridge and Murdoch.	
	current transport infrast is not suitable for significantly increased public transport		Cost of future public transport initiatives. eg CAT bus service.			
	Better connectivity for residents to centres within Melville and Perth cbd.					
	How do we change patterns of movement within and between centres, facilities & services and also Perth CBD.					
	How do we manage congestion					

	Increased density increased traffic and increased demand for parking how do we design a road net work to support ?					
	Strategic transport plan for CoM and sub region.					
Economic Centres, Precincts and Nodes	refer to above re infrastructure demand and maintence		Vibrant economic centres and precincts contribute significantly to rate revenue through strong gross rental value.	Ongoing challenges related to change from residential to more economic - relating to community engagement/stakeholder management	Master Plan activity centres to capture benefits of decentralisation.	
			Precinct based urban renewal projects that provide an attractive economic return may be appropriate for Council owned land.			
			Precinct based Infrastructure revitalisation projects may have multiplier effects for economic activity and therefore increasing rate revenue.			
Recreation, Community Facilities and Technologies	Maintain level of flexibility in relation to services and infrastruture.		Ageing population and increased level of migration requires City of Melville website and Customer Service Self Service opportnunities to be enhanced to cater for low vision and languages other than English.	Focus on community hubs - colocation of a number of community services/facilities with opportunities for government services etc	Lifestyle opportunities to co-locate community facilties at activity centres.	
	Impact of non-resident useage of com reserves and recreation areas. How we addres eg user pays system -true cost.		Increase in use of online facilities which needs to be facilitated by changes in State Government legislation to enable delivery of online media.	Increased sharing of community and sporting facilities by community groups/organisations. Change in expectations of single use facilities. Opportunity to increase sharing with Education Department		
	Demand for recreation areas and parks impact on resources will change.		The challenges facing the City in regards to keeping pace with the rapidly changing technologies and communication channels.	Challenges in library services to introduce and maintain technological advances - cost, staff skills, opportunity to partner with profit providers		

	Natural environment and parks become more important requiring more management and maintenance. These will become more valuable to the community and should be protected from development.		The information technology challenges to deal with the E Library .	Consider overall population growth as well as the demographic changes in regard to recreational space (demand in 20 years for sporting fields will be equal to or greater than now)		
	Environmental resources will require enhanced protection and active management (& regulatory) from higher demand - useage arising from more intense settlement.		The reducing workforce pool will result in the cost of labour increasing.	Potential government policy changes in regard to rebates or incentives for the population to be involved in physical activity and the impact on facilities for LG's		
			Increase in requirement for specialised staff to meet the increase in technological support for the community.			

Source: MacroPlan Australia (2010)

6 Conclusions and Recommendations

The City of Melville is likely to undergo significant transformation in its role and function within metropolitan Perth. The key drivers of this change relate to demographic, socio-economic, business, transport and travel and other factors of urban development. As a result Melville will change from its current role as an inner/middle ring gentrified residential municipality to a genuine mixed use location with strong employment and business activity. This will allow Melville to function as an intervening location within the metropolitan Perth transport network, increasing the sustainability of travel movements.

In this report, MacroPlan has reviewed the results of the Intergenerational Report 2010 and other key Federal Government policy documents to identify the impacts on Local Government and in particular the City of Melville. Combined with analysis of the lifecycle and growth trajectory of the municipality and case study comparison with similar locations in Melbourne and Sydney, MacroPlan identified a series of six key themes for consideration by Council:

- Population and Migration
- Wealth, Health and Ageing
- Housing, Affordability and Density
- Transport, Congestion and Mobility
- Economic Centres, Precincts and Nodes
- Recreation/Community Facilities and Technology.

From the analysis of these themes as they apply to the City of Melville, and the identification of opportunities and challenges, MacroPlan has selected a range of key recommendations:

Recommendation 1	Monitor the age profile of residents in the municipality over time to ensure that current over-exposure to the risks and negative impacts of an ageing population are mitigated. This could include increased population growth into the municipality, particularly among working age households.
Recommendation 2	Identify opportunities for service delivery efficiencies by Council reflecting the growth of the resident population and reaching of key critical mass thresholds (100,000+).
Recommendation 3	Actively seek to capture the multiplier benefits of major investments such as the Fiona Stanley Hospital and Murdoch University to induce diversification of the local economy. This can be achieved through effective Master Planning to promote a mix of uses including commercial office, residential, retirement, accommodation and retail activities.

Recommendation 4	Investigate mechanisms for dealing with Asset Rich/Cash Poor households in the municipality in terms of the affordability of rates and charges payments. This can include: • Superannuation-style rates schemes; and • Accruing rates deferral schemes.
Recommendation 5	Diversify the rates base of Council to create a better balance between residential and non-residential sources. This will reduce Council exposure to the future volatility associated with the ageing of the population and increased competition from State Government Land Tax with the decline of Stamp Duty revenues.
Recommendation 6	Investigate the capacity to leverage off major commercial developments such as Canning Bridge and Murdoch Activity Centre to catalyse precinct-based residential density.
Recommendation 7	Adopt a ***planned evolution*** based approach to urban development to facilitate non-precinct based density along major public transport routes.
Recommendation 8	Development of a ***Housing Strategy*** to: • help manage the diversification of the housing stock in Melville over the next 10 years • to address supply constraints in the municipality while preventing future investment-led oversupply; • provide opportunities for older households to cash-out of the family home and downsize to more affordable local housing product (units and townhouses).
Recommendation 9	Investigate appropriate parking space levies and supply ratios within the municipality through the development of a contextualised and visionary ***Car Parking Policy and Traffic/Transport Strategy.*** .
Recommendation 10	Facilitate improved movements within the municipality through the development of enhanced local pedestrian, cycle and secondary public transport networks. This will counter increased congestion resulting from the regionalisation of activity centres and destinations within the City of Melville.

Recommendations 11	Support and encourage investment in commercial office floorspace at key traffic intervention points in the municipality to: • support diversification and growth of the local economy; • provide cost-effective opportunities for local businesses to expand and grow; and • encourage higher levels of employment self-sufficiency.
Recommendations 12	Interface with the State Government to attempt to capture benefits of the State Government department decentralisation policies.
Recommendation 13	Investigate the appropriate level of differential rates for application to non-residential/commercial activities within the municipality to: • account for non-resident worker draw down on infrastructure and facilities; • Ensure that the differential rating structure recognises the additional net cost burden placed on the City by commercial premises.
Recommendation 14	Investigate appropriateness of Special Area/Benefit Levies for major infrastructure and precinct investments where the benefits of such investments in terms of business profitability and land value uplift over time are clearly demonstrated to the business community and stakeholders.
Recommendation 15	Investigate shift in recreation facility/space provision to dedicated built forms (basketball/tennis courts etc) to: • Reduce exposure to major cost increases in water and energy; and • Reflect a shift in the demand for recreation from active to passive in response to population ageing.
Recommendation 16	Apply appropriately priced User Charges for non-resident use of municipality sports and recreation spaces and other community facilities. Pricing should reflect cost base of the facility/service in line with taxation principles.
Recommendation 17	Integrate technology into Council operational and community facility service delivery including Libraries, Council offices, youth and community centres. Leverage off investments in NBN Co

Recommendation 18	Investigate options to collocate community facilities with other major activities and uses in the municipality including health, education and retail centres to generate trip-linking opportunities for residents and capture cross-visitation benefits.