chapter 1

1. melbourne - a changing and growing city

1.1 Economic growth and change

Melbourne is a vibrant, dynamic and forward-looking city that continues to attract people, investment, businesses and jobs. Melbourne's confidence in the future is being driven by strong population and economic growth, the development of new strengths in traditional and emerging industries and a growing international reputation for innovation, creativity and diversity.

While continuing to grow and change, Melbourne retains many of the features that make it one of the safest and most liveable cities in the world. A 19th century legacy of gracious buildings, public parks and gardens, wide streets and colourful alleys and laneways helps to keep central Melbourne accessible and attractive. At the same time, new landmarks – such as Federation Square, Southern Cross Station, the Eureka Tower and the Melbourne Convention Centre – are bringing a contemporary edge to Melbourne.

Long the heartland of Australian manufacturing, Melbourne has succeeded in restructuring and diversifying its industry base and is now recognised as an international centre for creative industries (such as film, design and fashion), service industries (such as financial, property and business services, and education) and relatively new industries (such as biotechnology and nanotechnology). Parkville and Docklands are emerging as hubs of excellence in biotechnology and medical research, health care, education, film, design and finance. Melbourne's economy is further enhanced by its acknowledged status as Australia's arts and cultural centre and the nation's sporting capital.

While strong economic, population and jobs growth give Melburnians every reason to look to the future with confidence and optimism, the city faces some significant challenges in managing these 'symptoms of success'. These challenges include minimising the impacts of strong population growth, maintaining Melbourne's competitive edge in an increasingly tough global environment, managing environmental pressures such as climate change and water, and ensuring that the city remains a destination of choice for skilled workers, students, investors and international visitors.

Transportation is an essential element in meeting these challenges and shaping the future growth and structure of the city. Over the coming decades, the city's transport system will play a critical part in ensuring that Melbourne retains its liveability and attractiveness, while continuing to enjoy solid economic and jobs growth. Investment in transport infrastructure will also help to determine the locations for the next wave of jobs and business growth in Melbourne.

The EWLNA Study Team's view is that decisions made now about Melbourne's transport future must focus not only on anticipated travel demand, but also on the best ways to support the likely future drivers of Melbourne's and Victoria's prosperity.

In particular, the Team believes that improved east-west connections should be designed to support Melbourne's future success by:

- Improving public transport access to and from the growing central city area
- Creating new opportunities, facilitating development and improving access to jobs in Melbourne's west
- Meeting the growing demand for cross city travel
- Supporting strong residential and business growth in the central city
- Improving community amenity and liveability
- Significantly improving connectivity across the city's transport network
- Benefiting growing areas in the city's south-east.

Victoria's robust economy

Victoria has now enjoyed more than a decade of solid economic growth.

Over the past eight years, Victorian GSP grew by an average annual rate of 2.9 per cent – the highest of Australia's non-resource states. In 2006-07, Victoria's economy grew by 2.7 per cent and is expected to grow by around 3 per cent over the next four years.

Victoria's unemployment rate remains at historically low levels (4.5 per cent in January 2008) and labour force participation is at near record levels. Over the last 12 months, Victoria produced the most jobs of any Australian State.

Business investment is also at very high levels, averaging more than 10 per cent per year over the past six years. In 2007, Victoria also had the highest value of building approvals of any state ($19.1 billion).

In the September quarter 2007, exports of merchandise goods increased by 6.4 per cent over the previous quarter, the strongest quarterly growth since June 2005. In 2006-07, exports of services also grew strongly, increasing by 8.3 per cent – well above the national average of 6.9 per cent.

These results show that, while facing significant challenges, Victoria's economy is in robust shape, is performing well and should continue to grow solidly into the future. The implications of this economic and employment growth for Melbourne include a greater demand for transport generally, an increased freight task (and growing pressure on important freight links, such as the Port of Melbourne and Melbourne Airport) and greater demand for passenger travel during commuter peak periods.

Transport and Melbourne's economic success

Work undertaken for the EWLNA[1] makes a compelling case for the link between transport and the economy. This work recognises that transport occupies a central role in the everyday functioning of an economy and that, as an economy develops, the demand for transport increases.

In particular, this work explains the direct correlation between growth in income, as measured by Gross State Product (GSP) and growth in the demand for passenger and freight transport. Population is another key driver in the demand for transport services. While GSP and population continue to grow, Melbourne will experience strong growth in the demand for transport across all modes.

The forecast increase in the demand for passenger and freight transport in Melbourne reflects a vibrant and strong economy, with the broader economic and political fundamentals in place that are conducive to continued investment and growth. This presents a challenge for policy makers in managing the demand for transport in a way that enables – rather than constrains – Melbourne's capacity to move forward as a modern, innovative and internationally competitive economy.

Transport improvements alone are rarely able to drive major economic change. A range of underlying factors must be in place for transport investments to have an impact on an economy's performance. These can be summarised as:

- *Economic conditions* – There needs to be a stable macroeconomic policy climate, positive externalities (agglomeration economies and labour market economies), a buoyant economy and an availability of labour with the right skills.
- *Political and institutional conditions* – There needs to be a broader policy environment conducive to investment, including supporting legal and organisational policies and processes, and the efficient management and governance of existing infrastructure.
- *Investment conditions* – There need to be well functioning capital markets and an availability of capital.[2]

The Study Team has concluded that Melbourne meets these conditions.

Even with these conditions in place, intervention to improve transport efficiency is not necessarily a pre-requisite for economic growth and development in Victoria. However, there are two important considerations that are relevant in supporting such intervention.

First, with the prospect of congestion costs for Melbourne doubling over the next 15 years, a 'do-nothing' approach is untenable in terms of the resulting costs to business and the loss of community amenity. A level of intervention and investment is justified to avoid some of these costs.

Secondly, transport plays an important facilitating role in bringing together the various resources, production and leisure activities of society. In this sense it is an enabler of economic activity, including social interaction. Transport has the capacity to reduce the physical separation of those activities that support economic growth and development. There is an economic case for intervention to address constraints where the benefits at least equal the costs.[3]

The Study Team considered the current and future transport needs of the Melbourne economy, recognising that different industrial sectors have different requirements (such as access to ports and airports, links with other urban areas and access to labour and customers). The Team also assessed how the Victorian economy may develop over the foreseeable future, noting the changes that are occurring as a result of the continuing restructuring of the Melbourne economy away from manufacturing and lower level services towards higher level service industries.

Higher level service industries are typically high density, which will lead to growth in Melbourne's employment base and number of commuters. The expected growth of the city's high level service industries will also put demands on the local road network, as the amount of light commercial vehicles and business journeys by private car increases. While the manufacturing sector's economic domination is declining, it remains an important force in the Victorian economy and the continuing success of manufacturing will require good access across the supply chain – from international and domestic gateways to local roads and manufacturing/distribution points. With the globalisation of many sectors, efficient transport logistics and distribution are an essential element to Melbourne's continued growth and competitiveness.

1. Work undertaken by Meyrick and Associates, in conjunction with Econsearch and Steer Davies Gleave. See Meyrick and Associates (2008a), *Transport and the Economy,* Report prepared for the EWLNA
2. This summary is based on the summary included in the 2006 UK Eddington Transport Study (U.K. H.M. Treasury and Department for Transport (2006), *The Eddington Transport Study*, Main Report, Department of Treasury and Department for Transport, London, p.15)
3. This is consistent with the view of the Eddington Transport Study that it is important to look for evidence where transport demand is nearing or exceeding supply.

The Study Team also looked at how and where transport constraints are likely to manifest themselves. The Team distinguished between two types of transport constraint that could reduce the potential for economic development:

- Absolute constraints – where there are unexploited opportunities from 'missing' links in a transport network
- Marginal constraints – where the cost of movement is increased (for example, by overcrowding on public transport, congestion on highways or other real or perceived costs, such as accident risks).

The Study Team's conclusion is that the greatest potential for economic development is when new links are put in place to relieve absolute constraints. However, developed economies (such as Melbourne's) have usually exploited most available opportunities for major new links or significant 'step-changes', leaving very few realistic and cost effective options.

As noted by the UK Eddington Transport Study:

> *"For developed economies, the debate should be focused on the capacity and performance of the existing network... … The relationship between transport and growth in a mature economy is … likely to be an incremental one."*[4]

The scope for transport investment to unlock economic development in a mature economy such as Melbourne's is limited to a large extent to relieving future pressures on the existing network, rather than building completely new networks. The Eddington Transport Study concluded that to unlock this development through transport in the UK, it was important to identify evidence of transport demand nearing or exceeding supply. The EWLNA's analysis suggests that, if unaddressed, growth in transport demand over time in Melbourne will significantly reduce the network's performance. For example, as highlighted by recent reviews of urban congestion, a 'do nothing' approach to tackling increasing congestion in Australian cities will result in very substantial economic and social costs.[5]

After identifying future problem areas on the network, determining the types of users who will suffer deteriorating conditions and ensuring that the other conditions for transport to influence growth are present, the Study Team turned to identifying the right transport solutions for Melbourne. The Team's analysis established a general outline of the areas where transport improvements will be needed to underpin Melbourne's future success:

- *Ensuring good access to international and interstate markets* – Transport is especially important for firms that trade goods and services interstate and internationally. Good access to and from the city's 'gateways' (its ports, airports and intermodal hubs) is critical to the success of these firms – and to Melbourne's and Victoria's national and global competitiveness.
- *Ensuring good access to skilled labour* – By maintaining the cost of commuting at reasonable levels – and providing a range of travel options – the transport network ensures that firms have access to an adequate supply of skilled labour. It also encourages people to participate in the workforce.
- *Ensuring good flows across the day for freight and commercial journeys* – Firms use the transport network to receive and deliver goods, interact with other businesses and provide service to customers. Time is money for businesses – and faster, more reliable and more efficient transport links save firms money and enable them to reach larger markets at a low cost. Improved transport connections also enable customers to travel further to compare and purchase goods, leading to a more competitive business environment, lower prices and increased efficiency.

4. U.K. H.M. Treasury and Department for Transport (2006), p.13
5. See Victorian Competition and Efficiency Commission (2006), *Making the Right Choices: Options for Managing Transport Congestion*, Final report, State of Victoria, Melbourne; COAG: Council of Australian Governments (2006), *Review of urban congestion trends, impacts and solutions*, Report prepared for the Council of Australian Governments by the Competition and Regulation Working Group, Canberra. Also see further discussion of congestion in Chapter 4 of this report.

1.1.1 Melbourne's changing economic and industrial base

Melbourne's booming economy, industrial strengths and increasing diversity are among the major forces driving Victoria's growth.

Melbourne continues to be Australia's centre for manufacturing, reflecting Victoria's position as the nation's leading manufacturing state (accounting for more than 30 per cent of national manufacturing turnover). However, Melbourne's manufacturing strengths are shifting away from traditional products and processes towards more advanced areas with a high-technology base, such as scientific and medical equipment, high precision machinery, advanced automotive manufacturing, new materials and micro-manufacturing.

While manufacturing remains one of Melbourne's largest employing industries, the sector's relative share of employment has fallen significantly over the last 30 years as the city's industrial base has become increasingly services-oriented. The services sector's contribution to Victoria's economy is growing rapidly – up from 32 per cent of Gross State Product (GSP) in 1991 to 42 per cent in 2006. Melbourne is leading this trend and has developed internationally recognised strengths in diverse areas such as property and business services, financial services and insurance, biotechnology, aerospace design, ICT, tourism and education.

Melbourne's manufacturing sector has also drifted outwards, away from the central city. Manufacturing jobs in central Melbourne and the inner and middle suburbs have declined substantially over the last 30 years, but have increased in outer areas such as Hume, Knox and Greater Dandenong.[6]

Financial services now comprise Victoria's third largest industry sector, with Melbourne becoming a regional centre for several financial services areas, including education and training, back office processing and superannuation. Jobs in the finance industry increased by 97 per cent between 1971 and 2001, with more than one half of new finance industry jobs created in Melbourne being located in the City of Melbourne. Similarly, employment in the property and business services sectors almost doubled between 1971 and 2001, with almost one quarter of new jobs in these sectors being located in the central city.[7]

Employment in the education and health sectors is also growing strongly. Melbourne is now a major international education centre, second only to London in the number of foreign fee-paying students attending tertiary institutions. Melbourne is also recognised internationally for its leadership in medical research and life sciences and is on-track to become one of the top locations for biotechnology in the world.

New industry clusters have emerged and are contributing to the changing face of the city. For example, the Parkville life sciences/biotechnology precinct is focused on major hospitals and universities to the north of the CBD. Similarly, employment in the higher education sector is concentrated around major universities and colleges in Parkville and the central city. Docklands is emerging as a financial services precinct and a media and entertainment hub. Southbank is a growing arts and entertainment centre and St. Kilda Road is a concentrated corridor of business services.

As Melbourne's – and Victoria's – economy becomes more services-oriented, it is also generating changes in travel patterns, away from a focus on providing manufacturers with raw materials towards an emphasis on distribution and logistics, face-to-face contact, fast and efficient international connections and industry clustering. The city's transport network can – and should – play a key role in ensuring that these changed travel journeys can be made reliably, quickly, efficiently and competitively.[8]

6. DSE: Department of Sustainability and Environment (2006), *Melbourne Atlas 2006*, accessed at www.dse.vic.gov.au
7. Ibid

8. A more extensive discussion of the role of transport in Melbourne's economy is set out in Meyrick and Associates (2008a), *Transport and the Economy*, Report prepared for the EWLNA. A more extensive discussion of the impact of the services economy is set out in SGS Economic and Planning (2008b), *The E-W Transport link, Urban Structure and Victoria's Prosperity*, Report prepared for the EWLNA.

Growth and change in a services economy

As Melbourne's economic base shifts away from manufacturing towards services, a number of factors will drive change in the structure and composition of the city, and have an impact on the demand for travel:

- *Relative accessibility* – as an area becomes more accessible relative to other areas, it is more likely to experience business and employment growth in key service sectors such as property and business services, education, finance and insurance, health and community services and hospitality (accommodation, cafes and restaurants). In turn, this growth generates greater demand for transport and increases the pressure on existing transport infrastructure.
- *Clustering or 'agglomeration'* – as an area becomes more dense (with firms clustered more closely together and travel distances reduced), productivity at the firm level increases. Where major infrastructure investments promote clustering or higher density development in a particular region, that region is likely to gain competitive advantages over other regions – leading, ultimately, to higher levels of investment, business and employment growth.
- *Changing nature of innovation* – with innovation now a driving economic force, firms increasingly need to be part of interactive networks that include a multiplicity of suppliers and customers, as well as advisers from the advanced business services sector (such as designers and marketers). Local affiliations and proximity to business services are critical to maintaining these networks, suggesting that more compact, better connected centres will be more conducive to innovation.
- *Changing economic journeys* – with greater global integration of markets, more outsourcing and a move away from traditional 'mass production manufacturing', the journeys that are important to Melbourne's economy are changing. The journeys that matter most to a services economy include face-to-face meetings, negotiations and transactions, personal contact with clients, advisers and suppliers, and relatively fast and efficient international connections (through airports and ports).
- *Increasing light commercial vehicle (LCV) use* – the services sector tends to generate growth in LCV traffic, reflecting the diverse nature of the sector and its demand for services that are highly dependent upon transport (from domestic services such as plumbing and lawn mowing through to computing services, legal and medical services, and cafes and restaurants). This LCV growth also increases the demand for road space.

Improvements to the city's east-west connections need to be considered in terms of their capacity to influence these factors and provide strategic support for the growing services economy.

Study Team Findings

The city's transport system plays a central role in the everyday functioning of Melbourne's economy. As Melbourne's economy and population grow, the demand for travel will increase very substantially over the next 30 years.

As Melbourne shifts towards a knowledge-based services economy, significant changes are occurring in the city's important economic journeys, including changes in travel demand and travel patterns. Melbourne's transport network must be able to support these changes, as well as contributing to opening up new jobs and business opportunities across the city.

1.1.2 A strong, vibrant and growing city centre

The City of Melbourne is now home to nearly 70,000 residents, with another 40,000 expected to call the central city home over the next 15 years. The CBD has a daytime business, working and visiting population of more than 730,000, with the number of weekday visitors to the CBD expected to increase to one million per day by 2014.[9]

As the Melbourne City Council pointed out in its submission to the EWLNA:

> *"This is the growth that Victorians have asked and planned for over the last 30 years. The City of Melbourne is now both a great place for people and an economic powerhouse. We must make sure these attributes are sustainable and the growth potential is achieved without destroying the liveability that makes Melbourne special."*[10]

Central Melbourne is enjoying especially strong jobs and business growth. Melbourne City Council's 2006 Census of Land Use and Employment (CLUE) reports increases of more than 10 per cent in the number of businesses and jobs in the central city between 2004 and 2006. CLUE records that, in the two years to 2006, total employment in the City of Melbourne increased by 10.6 per cent, or about 35,000 employees – compared to only 2 per cent growth in the previous two year period.[11]

CLUE also reports that the City of Melbourne now has almost 14,000 business locations, around 10 per cent more than in 2004. The largest industry in the central city is business services, employing more than 53,000 people.[12]

Between 2004 and 2006, the number of residential apartments in the City of Melbourne grew by almost 6,000 dwellings, with most growth occurring in the central city and Docklands.

KPMG's *Population Growth Report 2007* notes that more than 7,000 residents are moving into Melbourne's central city each year, exceeding the numbers being added to the city's fastest growing suburbs.[13] In his foreword to the report, demographer Bernard Salt argues that "there can be no greater measure of how Australian values have shifted in a single generation than in the numbers that track the rise of downtown living".[14] This shift is likely to continue, with central Melbourne attracting an increasing number of residents over the coming decades.

Central Melbourne's growth is being fuelled by the emergence of a number of highly successful, specialised inner city precincts.

- The **Docklands precinct** is the largest urban renewal project in Australia, with around 20,000 people expected to live in the area by 2020. More than 7,000 people commute to Docklands each day, working at firms that range from small retail outlets to large corporations such as the National Australia Bank, Channel 7, the Bendigo Bank, Lend Lease and AXA. The ANZ has announced that it will develop Australia's largest office building at Docklands, catering for more than 5,500 staff. Since 2002, the number of businesses based at Docklands has more than tripled and total employment has almost quadrupled – and more than 40,000 workers will be based in the precinct by 2020.[15]

  The popularity of Docklands signals a strong shift in jobs and residential growth patterns within central Melbourne, with significant flow-on effects for travel to and from the city.

- The **Parkville precinct** – on the northern edge of the Melbourne CBD – is an increasingly important location for residential and business growth. The precinct is home to a number of nationally and internationally recognised hospitals, research institutes and tertiary education institutions – with Melbourne University alone having more than 40,000 students and staff. More than 23,000 people come to work in the precinct each day, of which 60 per cent are employed in health services and 16 per cent in education. More than 35,000 tertiary students attend university or TAFE courses in the precinct and full time students make up nearly 44 per cent of the resident population.[16]

9. City of Melbourne (2006b), Melbourne City Research, Melbourne, accessed at www.melbourne.vic.gov.au
10. City of Melbourne submission to the EWLNA (2007)
11. City of Melbourne (2006a), *CLUE: Census of Land Use and Employment*, Melbourne, accessed at www.melbourne.vic.gov.au
12. Ibid
13. KPMG (2007), *Population Growth Report 2007*, KPMG, Melbourne
14. Ibid
15. Figures from City of Melbourne (2006a) and Growing Docklands Factsheet, accessed at www.melbourne.vic.gov.au; and 'Docklands Population Boom', *The Age,* Business Day section, 6 February 2008
16. Figures from DHS: Department of Human Services (2005), *Parkville Precinct Strategic Plan*, State of Victoria, Melbourne

Over the coming decades, the Parkville precinct will continue to generate significant employment and economic opportunities in education, health and biomedical research. Good transport access to and from Parkville will be needed to sustain the precinct's ability to attract and retain skilled workers and build productive connections between firms, universities and hospitals. Building these capabilities will be critical to the international competitiveness and success of Victoria's biotechnology, tertiary education and health care sectors.

- Since the 1980s, successive Victorian governments and Melbourne City Council have focused on renewing the **Southbank precinct** – on the southern edge of the CBD – from a rundown industrial area to an entertainment, arts, business and residential hub. Public and private sector investment in the precinct has contributed to significant residential growth over the past decade, with Southbank's population expected to grow to around 13,400 by 2016 (up from around 2,200 in 1996). This growth is being fuelled largely by young residents, with full-time university or TAFE students making up 20 per cent of the population. Around 33,000 workers are employed in Southbank and very high numbers of visitors to the precinct's facilities sustain the area's economy and workforce.

  There is likely to be considerable residential and business development in Southbank over the next 10 to 15 years, underpinned by landmark projects (such as the Melbourne Convention Centre and the Melbourne Recital Centre) that will further improve the area's amenity and attractiveness.[17]

- The **St Kilda Road precinct** has experienced strong residential growth since the 1990s, although this growth has slowed in recent years. Around 5,500 residents live in the South Yarra – St Kilda Road district and more than 13,000 people work in the area.[18] While the growth of Docklands has had an impact on the area, recent office building sales and decisions by Seek, Oracle and L'Oreal to take up office space on St Kilda Road suggest that the precinct's fortunes are again on the rise.[19]

  Alongside improved office leasing prospects, good opportunities for high density residential development are likely to encourage further institutional and private investment over the coming decade, contributing to further residential and business growth in the St Kilda Road district.

These positive developments suggest that the city's extended central core will be the driving force for jobs, business and investment growth within Melbourne – and Victoria – for the foreseeable future.

Redefining the CBD

Melbourne's CBD is likely to remain Victoria's primary job location and job generator for the foreseeable future.

However, the Study Team believes that a broader definition of 'the CBD' is needed, covering a larger employment zone that encompasses the existing CBD, the Parkville precinct, Docklands, Southbank, St Kilda Road and other inner suburban areas – including Footscray.

Over the next 25 years:

– *Docklands* will continue to expand as a location for financial and insurance services, as well as being a new, strongly growing residential centre

– *Parkville* will become an increasingly important, internationally recognised centre for education, health care, medical research and biotechnology

– *Southbank* will consolidate its reputation as an internationally-recognised arts and entertainment precinct and high quality residential neighbourhood

– *St Kilda Road* is likely to continue to strengthen as an important office precinct and as a location for high quality residential apartments

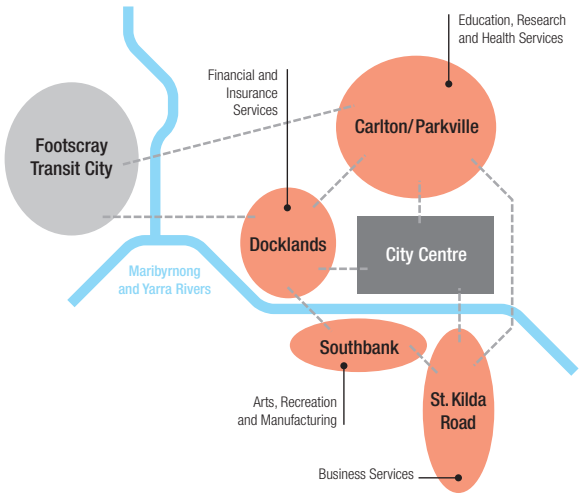
Good public transport accessibility will be critical to the future success of this redefined CBD area, removing the need for a car to commute to work and giving businesses in the central city access to skilled workers.

17. Figures from DSE: Department of Sustainability and Environment (2006b), *Southbank Plan*, State of Victoria, Melbourne
18. City of Melbourne (2006a)
19. Dunlevy, Maurice, 'Seek and Oracle find St Kilda Road', *The Australian*, 23 August 2007; Acting Minister for Industry and Trade, 'L'Oréal sets up head office in Melbourne in trade coup', Media Release, 5 November 2007, accessed at Victorian Government media site: www.dpc.vic.gov.au/pressrel

1.1.3 Integrating Footscray with the central city

One of the strongest patterns emerging in the EWLNA Study Area is the rapid growth taking place in the city's west (see Chapter 1.3: The new face of Melbourne's west). Currently, jobs and business growth in the west are lagging behind population growth. The Study Team believes that improvements in east-west transport links will play a critical role in ensuring that the inner west (particularly Footscray) shares in the benefits and opportunities being generated by the central city's growing and changing economy.

Figure 2 – A 'new economy' city – an expanded CBD



Footscray's central commercial and retail precinct is around 6 km from the centre of Melbourne – and yet it has remained largely isolated from the economic changes and business growth taking place in the central city. This is due largely to historic and geographic reasons – and to the relatively low levels of private and public investment in Melbourne's west, compared to the east.

Footscray has now been identified as a Transit City in the Victorian Government's *Melbourne 2030* framework (see Chapter 1.2.2). The Transit Cities program aims to encourage urban development around public transport – creating new housing, shops and services, as well as more local jobs. As part of this program, the government is undertaking a major new initiative over the next three years, called *Footscray Renewal,* which initially includes:

- new residential developments in the station precinct;
- upgrades to Nicholson Street mall and other main streets in central Footscray;
- a new, modern pedestrian bridge and public forecourt at Footscray rail station; and
- a new 'one-stop planning shop' to support local development.

This style of 'transit oriented development' (TOD) has emerged around the world as a strong force in the revitalisation of urban areas and will generate significant new opportunities for economic, business and residential growth in Footscray. But it will also create reciprocal advantages for the central city economy – with a major new urban renewal project on the CBD 'doorstep' likely to provide new business, investment and service opportunities for centrally located firms.

These developments are likely to further change the face of Footscray and the inner west. But the Study Team believes that more is required. There needs to be a shift in emphasis to begin to see Footscray as an important part of the central city and to incorporate Footscray into planning and thinking about the future of Melbourne's CBD. In other words, Footscray should be considered by city planners in the same context as Parkville and Docklands – as part of an expanded CBD that is the 'engine room' of Victoria's shift to a services economy.

Such an approach would challenge established perceptions of Footscray by firmly integrating it into this new, services oriented city economy. Combined with the enhanced transport links and the removal of trucks from the inner west being proposed by the EWLNA, this approach would give Footscray the potential to leverage off its proximity to the central city and reinvigorate the inner west by shifting away from the area's traditional reliance on manufacturing. It would improve the inner west's access to the advanced business services that it needs to boost business growth, as well as the area's capacity to attract and build a 'new economy' workforce.

Footscray could also leverage new opportunities from the presence of Victoria University in the heart of the suburb and its proximity to the Parkville education, health and research precinct – opportunities that will be further enhanced by the EWLNA's rail recommendations.

The inner west already enjoys a diverse multicultural mix that contributes to a retail, café, social and creative community culture not dissimilar to Carlton in the 1970s or Fitzroy in the 1980s. Improving transport links to the central city and to the east of the city provides scope to build on this culture and attract residents, businesses and visitors alike.

In particular, the Study Team can see no reason why – with much better transport links to the central city – Footscray cannot build a new industry base and a new generation of knowledge based businesses, attracted by lower costs than in the CBD and by the prospect of being part of a growing, vibrant and multicultural inner city community.

Study Team Findings

Central Melbourne will continue to be Melbourne's and Victoria's principal generator of jobs, business and investment growth. However, a broader definition of 'the CBD' is needed, which incorporates the existing CBD, the Parkville precinct, Docklands, Southbank and St Kilda Road – as well as Footscray and the inner west.

In particular, the Parkville precinct is likely to become an increasingly important generator of employment and economic opportunities in education, health and biomedical research. Good transport access to and from the precinct is vital to building Melbourne's capability in these areas and sustaining the international competitiveness of Victoria's biotechnology, tertiary education and health care sectors.

There needs to be a shift in emphasis to see Footscray as an important part of the central city and to incorporate Footscray into planning and thinking about the future of Melbourne's CBD. Improved east-west transport connections will be critical to integrating Footscray into the growing central city economy and driving the inner west's shift to a more services and knowledge oriented economy.

1.1.4 Shaping the city's growth

Around the world, there is now recognition that large-scale transport projects can make an important contribution to re-shaping a city's economic landscape and urban structure.

Several submissions to the EWLNA reflected this view and expressed the opinion that major transport projects should be considered not only from the perspective of addressing current transport problems, but also from a broader urban change perspective. For example, the City of Brimbank stated:

> *"The provision of transport infrastructure itself is a core element influencing the character and form of new metropolitan development."*[20]

In particular, the Study Team recognises that major transport projects can re-shape a city's structure as firms and households move to take advantage of locations offering superior accessibility to skills, production inputs, customers, and goods and services. This is supported by recent experience in Australian cities with respect to the Western Ring Road, CityLink and EastLink in Melbourne and Westlink (M7) in Sydney. Similarly, Melbourne's last major public transport expansion – the underground rail loop – had a significant revitalising impact on the central city, particularly the northern end of the CBD.

Analysis undertaken for the Study Team shows that transport accessibility is critical to an area being able to attract and retain jobs and households. The analysis also shows that the sectors most sensitive to changes in relative accessibility are knowledge intensive or advanced business services – the sectors that will drive Melbourne's future prosperity.[21]

Over the coming decades, firms operating in these sectors will make significant investment and locational decisions that will affect the shape of Melbourne. In this context, major transport projects must be assessed for their capacity to influence these decisions and spark the features needed to make Melbourne's economy more innovative and competitive.

20. City of Brimbank submission to the EWLNA (2007)
21. See SGS Economics and Planning (2008b)

Australian and international evidence indicates that these features include:

- A strong and vibrant central city (or CBD)
- Strong and vibrant suburban centres
- Efficient public transport links between these centres
- Flexible employment zones that allow a blending of production, logistics and office uses
- 'Employment rich' residential areas to support home-based and micro-business development
- Efficient use of road capacity
- Excellent airport accessibility.[22]

In particular, the Study Team notes that while Melbourne's increasingly powerful urban core will remain a key driver of jobs and growth, vibrant suburban centres will also play a major role in ensuring that the entire metropolitan area is geared to the services economy. This means attracting much higher numbers of knowledge intensive and advanced business services into these suburban centres.

At present, Melbourne's potential growth centres outside the central city are Ringwood, Dandenong and Frankston in the east. The relative advantages and 'self sufficiency' of these regions will be reinforced further by the opening of EastLink. With a greater concentration of business services in the east, these regions seem set to grow and prosper over the coming decades.

In the city's west, a very different picture emerges. Compared to the eastern side of the city, the west maintains a much stronger commuter dependency upon the central city. With the possible exception of Footscray, there are no major hubs in the west that are well-placed to attract investment, drive growth and become 'self sufficient'.

Improving Melbourne's east-west connections has the potential to significantly improve relative accessibility in the city's western suburbs. This will create new residential, business and development opportunities and lead to a boost in employment in the services sector – especially in property and business services, an area where the west has fallen behind the eastern suburbs and the central city. In turn, this will have positive implications for growth across the entire metropolitan area.

However, for improved connectivity to be most effective, the west needs strong focal points capable of attracting investment, employment and creative talent. If Footscray is incorporated into the central city area, this role falls to Sunshine, Sydenham, Werribee and Geelong. Strategies need to be developed to ensure that these centres make the most of the improved accessibility and connectivity generated by the EWLNA recommended projects.

22. For a more detailed discussion on these aspects, see SGS Economics and Planning (2008b)

The Study Team's view is that major transport decisions in Melbourne must first address current significant problems within the transport network (most notably the increased congestion accompanying strong population and economic growth). Secondly, these decisions must contribute to tackling future problems and providing Melbourne with the strongest foundation possible for future economic success. This approach moves beyond the more traditional method of seeking to 'predict' future travel patterns and then 'provide' a solution. Such an approach also explores where Melbourne might want to create new or improved travel connections in the interests of a more socially, environmentally and economically sustainable city.

The Team notes that, in part, the Western Ring Road exemplifies this type of approach. Arguably, this link was not Melbourne's highest priority project when it commenced, although it certainly aimed to address perceived traffic issues at the time. Essentially, the Western Ring Road 'moved up the list' of priorities partly because it could be constructed relatively easily and partly because it improved connectivity across the road network in an area where this was lacking. However, the construction of this road – together with CityLink – has 'reshaped' the pattern of urban growth in Melbourne and established new interactions that may not have been fully anticipated at the time the road was being planned.

In developing options for the east-west corridor, the EWLNA has combined extensive modelling of current and future travel demand with an assessment of the 'city shaping' power of new, large scale projects. The EWLNA has aimed first to identify and address current problems within the transport network (most notably the increased congestion accompanying strong growth). Secondly, the study has explored options that will also contribute to tackling future transport problems. Finally, the study has paid careful attention to how Melbourne and Victoria will 'earn a living' over the next 30 years and the cross city transport links that will do most to support the future drivers of Melbourne's success.

Study Team Findings

Major transport projects in Melbourne must address current problems within the city's transport network, contribute to tackling future problems and provide Melbourne with the transport connections needed for future economic success.

In developing options for improved east-west connections, modelling of current and future travel demand should be combined with an assessment of the 'city shaping power' of new, large scale transport projects.

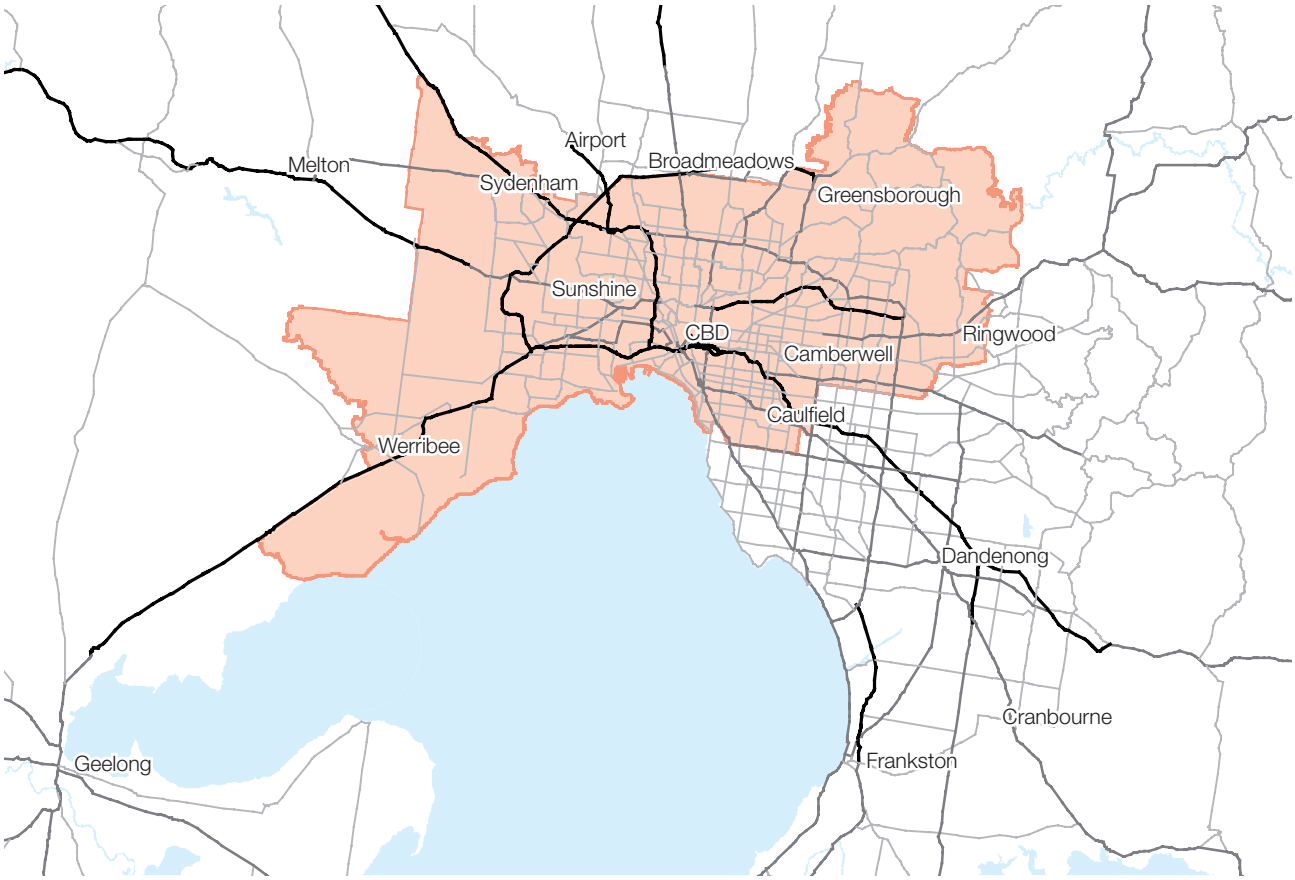
In the context of supporting the city's future growth, strategic transport issues are much more pressing in the west of Melbourne, where transport accessibility is relatively poor, than in the east.

1.2 Urban growth and change

Melbourne continues to attract people and investment from across Australia and around the world. The city is growing rapidly, generating significant changes in traditional patterns of population, industry and employment distribution – changes that will have a profound influence on the future demand for travel across Melbourne.

While focused on the EWLNA core Study Area, the Study Team recognised that many broader influences impact on growth and travel demand in the area. Accordingly, demographic analysis undertaken for the EWLNA has covered a much broader area, encompassing the 39 Statistical Local Areas (SLAs) that are likely to experience the greatest impacts from east-west transport improvements.

Figure 3 – EWLNA broader study area (for demographic analysis)



1.2.1 A rapidly growing population

Melbourne is experiencing its biggest surge in population since the 1960s, with the population increasing by nearly 1,500 each week – more than any other Australian capital city. Between 2001 and 2006, Melbourne's population grew more strongly than in the previous five years (at an annual growth rate of 1.5 per cent) to reach a population of more than 3.7 million.[23]

Consultancy firm KPMG has noted that this growth is being fuelled by "high levels of overseas migration, strong interstate migration and a high birth rate".[24] KPMG's analysis of the 2006 Census indicates that if these current growth rates continue, Melbourne will overtake Sydney as Australia's biggest city by 2028.

Some areas of Melbourne are growing at a much higher rate than others. As Figures 4 and 5 show, Melbourne's outer growth areas have been growing rapidly since 1996, with growth in the central city picking up pace over the last five years. These figures also show population growth in Melbourne has shifted westwards over the last 10 years.

Recent analysis of population growth in Melbourne carried out by the Victorian Government shows that the rate of growth between 2001 and 2006 exceeded expectations by a significant margin in several parts of Melbourne – see Figure 6. As the Department of Infrastructure has noted, this helps to explain public transport patronage being above expectations on certain routes.[25]

Table 1 – Population growth in Melbourne and Victoria, 1996 to 2006

Population	1996	2001	Average annual growth rate 1996-2001 (per cent)	2006	Average annual growth rate 2001-2006 (per cent)
Melbourne	3.3 million	3.5 million	1.1	3.7 million	1.5
Regional	1.3 million	1.3 million	0.9	1.4 million	0.8
Victorian	4.6 million	4.8 million	1.1	5.1 million	1.3

Source: ABS (2006)

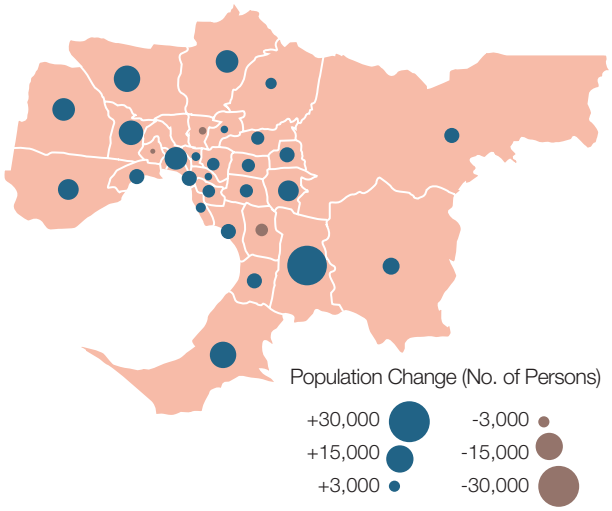
Table 2 – Population growth in Melbourne and Victoria, 2006 to 2051

Population	2006	2031	2051
Melbourne	3.7 million	4.5 million	5.0 million
Regional	1.4 million	1.7 million	1.6 million
Victorian	5.1 million	6.2 million	6.6 million

Source: ABS (2006)

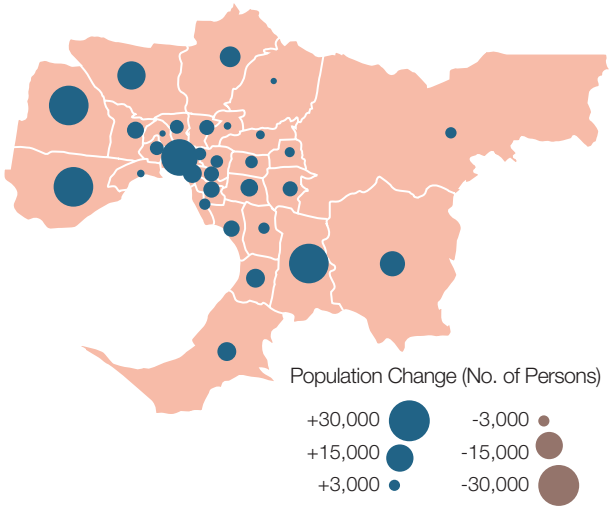
23. ABS (2006), Population Projections, Australia, 2004 to 2101, Cat no. 3222.0, Commonwealth of Australia, Canberra
24. KPMG (2007) and see KPMG, 'City rivals suburbia in population growth as Gen X, Gen Y and Empty-Nesters re-invent the great Aussie dream', Media Release, 12 November 2007
25. DOI (2008), *Transport Demand Information Atlas for Victoria 2008, Volume 1: Melbourne*, State of Victoria, Melbourne, p.58

Figure 4 –Population growth, Melbourne LGAs, 1996 to 2001



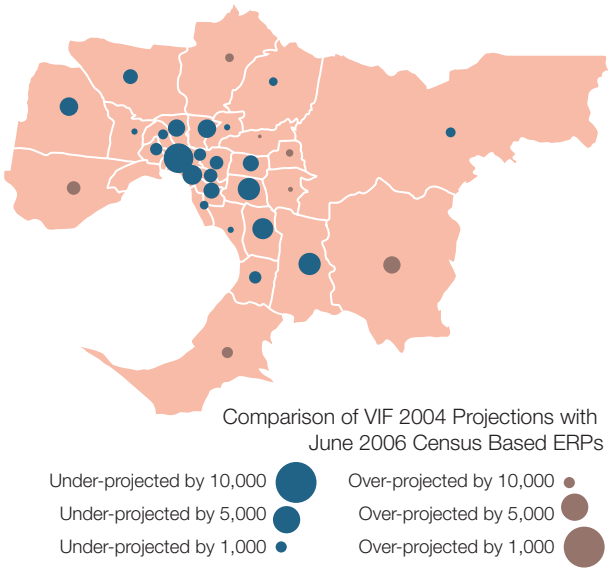
Source: DOI (2008)

Figure 5 – Population growth, Melbourne LGAs, 2001 to 2006



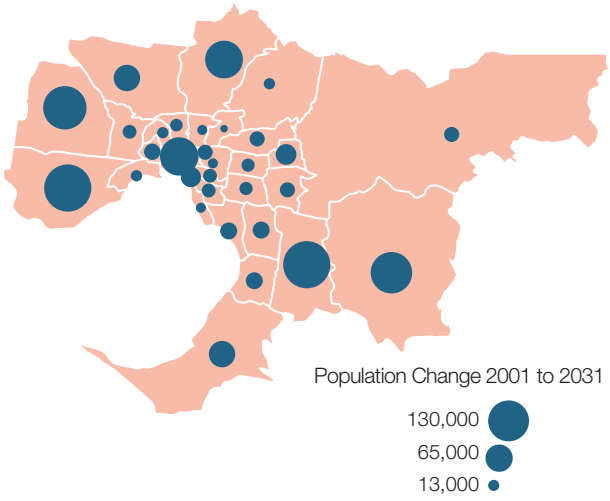
Source: DOI (2008)

Figure 6 – ABS estimated resident populations 2006 versus VIF Projections 2004



Source: DOI (2008) – ABS: Australian Bureau of Statistics; VIF: Victoria in Future

Figure 7 – Average annual population growth Melbourne LGAs, 2001 to 2031



Source: DSE (2004)

Looking ahead, current ABS projections are for Victoria's population to increase from 5.1 million in June 2006 to 6.2 million in June 2031 and 6.6 million by 2051 (see Table 2 and Figure 7).[26] The majority of this population increase will occur in the Melbourne metropolitan area, with the city's population increasing from 3.7 million in 2006 to 4.5 million people in 2031 – adding slightly less than 1 million people (or around 500,000 new households) to the city. By 2051, Melbourne's population will reach 5 million, with the city having to find space to accommodate an additional 800,000 households than in 2006.

Recent analysis undertaken by the Victorian Government indicates that Melbourne's growth is running ahead of these projections. The Government has indicated that, if current growth continues, Victoria's population will hit 6.2 million by 2020, rather than 2031 – and Melbourne's population will increase by one million a decade earlier than predicted.[27]

The municipalities of Melton, Wyndham, Hume, Whittlesea, Casey–Cardinia and Melbourne are projected to accommodate the highest amounts of Melbourne's total population growth to 2031.[28] Between 2001 and 2031, these areas are forecast to grow at an annual average rate of between 1.1 per cent (Hume) and 3.8 per cent (Melton).[29]

By contrast, Melbourne's eastern suburbs are growing at a much slower rate. For example, between 2001 and 2031, the municipalities of Manningham, Banyule and Whitehorse are forecast to grow by an annual average of 0.5 per cent, 0.1 per cent and 0.3 per cent respectively.[30]

Over the next 25 years, Melbourne's strong population growth will generate increasing pressure on the city's transport network, existing infrastructure and public and community services. It will also increase pressure to make more land available for industry, commerce and residential development. Managing these pressures poses significant economic, social and environmental challenges.

Study Team Findings

By 2031, Melbourne's population will reach 4.5 million – adding slightly less than 1 million people (or around 500,000 new households) to the city. The flow-on effect of this will be a substantial increase in the demand for personal and freight travel across the city.

1.2.2 Changing patterns of growth and density

In 1851, Melbourne's settled area covered around 14 square kilometres. By the early 1880s, that area had increased sixfold. Between 1971 and 2004, the next rapid period of expansion, Melbourne almost doubled again in size. In the 1950s, before most households owned cars, 70 per cent of Melburnians lived within a 10 kilometre radius of the GPO. By 2001, the vast majority of the population lived outside this 10 kilometre radius.[31]

Melbourne's natural landscape has led to greater growth pressure on the historically more appealing eastern suburbs than on the western suburbs. But that is changing, with a significant increase in the population of Melbourne's west likely to occur over the next 25 years. The centre of Melbourne's residential population is in the vicinity of Glen Iris and has consistently shifted eastwards – until recently. Now, it has halted and is expected to move west as 2030 approaches.[32]

Until the 1990s, Melbourne – like most Australian cities – experienced consistent population loss from the inner city. A process of 're-urbanisation' commenced in the mid-1990s and has intensified as the supply of inner city dwellings has increased to meet demands from young professionals, students (especially international students) and – to a lesser extent – retirees. As noted in Chapter 1.1.2, a significant 'downtown shift' is now taking place in Australia's cities, a trend that is likely to intensify over the next decade. However, the longer term trend of people moving to the outer suburbs is still very much in evidence.

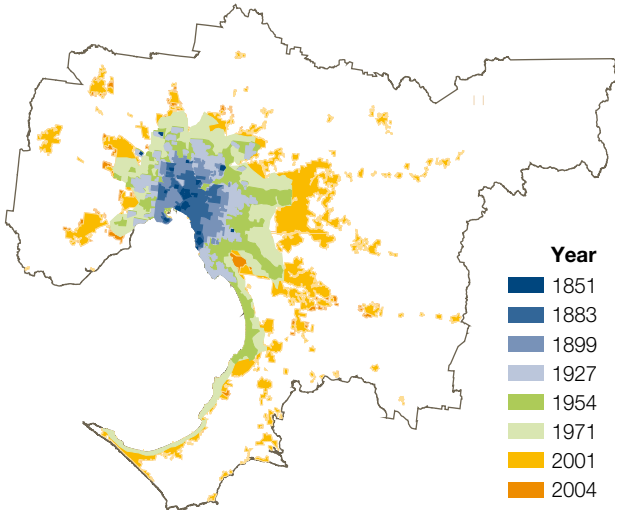
Population growth is also closely linked with urban expansion in Australian cities, which are dispersed, low density cities compared with many others. Melbourne now accommodates around 3.7 million people over nearly 2,000 square kilometres. In contrast, Paris accommodates more than six million people in half that area.[33] Melbourne's population density is not only lower than most European cities, it is also lower than many large American cities (such as Washington, San Francisco and Los Angeles).[34]

While levels of population density increased in Melbourne between 1996 and 2006, much of this increase is concentrated in the inner city and the 'middle suburbs' (see Figure 9). The western suburbs and outer metropolitan fringes (the 'growth' areas of Melbourne) continue to have relatively low density.

26. ABS (2006)
27. Premier of Victoria, 'New zone to boost housing in growth areas', Media Release, 4 March 2008, accessed at Victorian Government media site: www.dpc.vic.gov.au/pressrel. Complete modelling and analysis of Census 2006 data for the Victorian Government will be available in mid-2008.
28. DSE (2006), *Melbourne Atlas 2006,* accessed at www.dse.vic.gov.au
29. DSE (2004), *Victoria in Future 2004, Victorian State Government Population and Household Projections 2001–2031*, State of Victoria, Melbourne
30. DSE (2004)
31. DSE (2006)
32. DSE (2006)
33. DSE (2006)
34. DSE (2006)

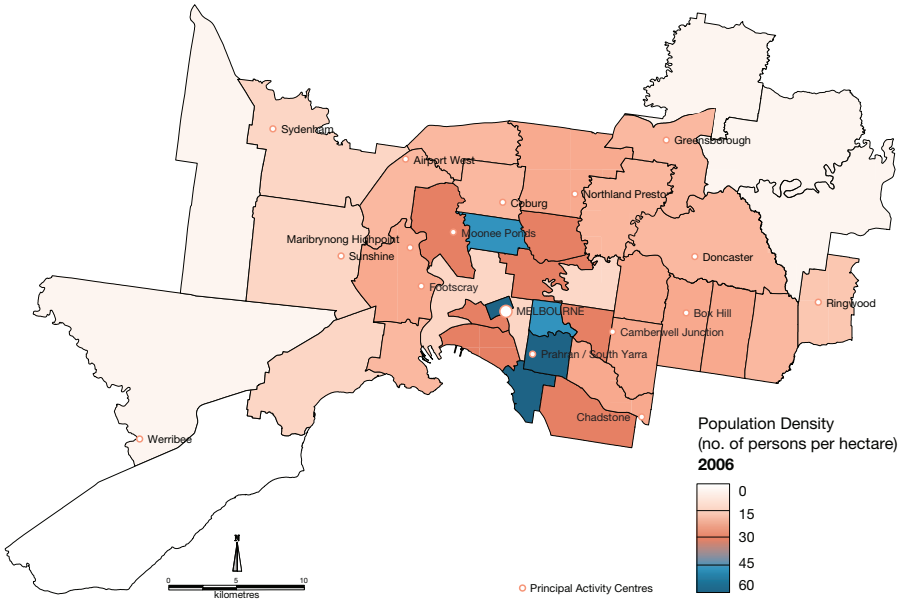
While the average number of people in each household is getting smaller across Melbourne, new houses are becoming larger (expanding from an average floor size of around 169 m^2 in 1984 to around 226 m^2 in 2001).[35] This trend suggests that, even as the city's population grows, many Melburnians continue to prefer a low density, high-mobility suburban lifestyle. This has significant implications for the city's future ability to provide infrastructure and services, including transport.

Figure 8 – Melbourne's growth 1851 to 2004



Source: DSE (2006)

Figure 9 – Population density 2006



Source: EWLNA (SGS Economics and Planning)

While low density cities like Melbourne have many lifestyle advantages, they also generate significant economic, social and environmental costs. However, while there are clear benefits associated with the move towards higher density development, it often meets resistance and can exacerbate community tensions. Residents often oppose higher density developments, seeking to maintain the perceived 'character' of their neighbourhoods. There are pressures from developers and others to push beyond set urban boundaries. As areas become more densely populated, there is the potential for greater conflict between residents' interests and other interests – reflected in growing concerns and complaints about matters such as truck traffic on local streets or noise levels from entertainment and sporting venues.

Maintaining a policy of increased urban density raises significant challenges for Australian governments, including overcoming infrastructure and land capacity constraints, reducing the impact of development on neighbourhood character, ensuring that urban consolidation or intensification is of a high quality, and changing the preference many people have for low density communities. However, the very substantial benefits that can be realised make these challenges worth pursuing.

35. Department of Sustainability and Environment (2002), *Melbourne 2030*, accessed at www.dse.vic.gov.au/melbourne2030online

Urban density and Melbourne's economy

Figure 10 – Melbourne 2030: Growth Boundary and Green Wedges

Source: DSE (2002) *Melbourne 2030*

There is now a strong body of research exploring the connection between a city's density and its economic performance. This research indicates that more compact, higher density cities achieve significant benefits, including:

- reductions in the amounts of energy and water consumed;
- reductions in vehicle trips and vehicle kilometres travelled;
- reductions in the rate of loss of biodiversity (as a result of lower rates of conversion of green space to residential use);
- reductions in the volume of building materials consumed and savings in dwelling construction costs; and
- improved human health as a result of less car use and greater pedestrian activity.

The Victorian Government recognises the benefits of a more compact city in its *Melbourne 2030* framework, which aims to manage growth and change across metropolitan Melbourne. Under *Melbourne 2030,* all new suburban development is to be contained within a designated urban growth boundary. Growth will be accommodated by increasing the density of development in established activity centres near existing infrastructure (especially transport infrastructure). These actions are designed to contain growth on the city's fringes to reduce urban expansion into surrounding rural land. Analysis by SGS Economics and Planning shows that, if fully implemented, *Melbourne 2030* would generate a 2.8 per cent lift in Victoria's GSP and create an additional 82,000 jobs, compared to letting Melbourne follow a 'business as usual' growth pattern.[36]

Five Principal Activity Centres have been announced by the Victorian Government as locations for major redevelopments under the Transit Cities program: Dandenong, Frankston, Ringwood, Sydenham and Footscray. By focusing development at centres with good transport access, *Melbourne 2030* aims to reduce car trips, make the most of existing facilities and services, and create viable and vibrant community hubs.

36. Spiller, Marcus (2006), 'Competitive cities – the role of urban design', Presentation to the New Zealand Ministry for the Environment's Urban Design Champions' workshops, February 2006, Wellington, Auckland and Christchurch

Victoria's Commissioner for Environmental Sustainability has noted that this style of transit oriented development (TOD) "has proved highly successful overseas in building up transit [public transport] patronage". The Commissioner has also observed that "there is evidence of a powerful market force for TODs internationally", with American studies indicating that many people would prefer to live within walking distance of a train station in order to save household income due to reduced car expenses.[37]

Internationally, methods of urban containment, such as growth boundaries, are considered to be some of the most effective strategies for managing growth in Western cities. Evidence is emerging that urban containment results in the more efficient delivery of publicly provided goods and services, reduces development costs, improves agricultural productivity and reduces energy consumption. A study by Griffith University's Urban Policy Program has found that 'controlled urban growth' (as opposed to uncontrolled sprawl) delivers major savings to government in terms of infrastructure and service costs, a reduction in kilometres driven and savings in personal travel costs.[38]

37. Commissioner for Environmental Sustainability (2007), *Creating a city that works*, Position paper, State of Victoria, Melbourne, p.19
38. Urban Policy Program (2003), *The Difference that Metropolitan Strategies Make: Lessons to be Learned*, Research paper for Planning NSW, Griffith University, Nathan

Study Team Findings

A more compact city will generate major economic, social and environmental benefits. However, the evidence strongly suggests that Melburnians will continue to prefer their low density, high-mobility suburban lifestyles – raising significant challenges for the city's transport network.

The Victorian Government should resist pressure to weaken *Melbourne 2030* and should take even stronger action to accelerate the development of vibrant suburban hubs in Melbourne's west, notably Footscray, Sydenham, Sunshine and Werribee.

New investment in Melbourne's transport network offers the opportunity to make planning decisions that support more sustainable population growth by continuing to encourage higher density development along public transport corridors, the creation of high- and medium-density suburban centres, the redevelopment of inner urban sites and a greater diversity of housing and development options.

1.2.3 Accessibility and growth

Accessibility is a significant factor in the locational decisions of firms and households. Changes in accessibility can significantly alter growth patterns and the shape of a city: an improvement in a suburb's accessibility compared with other suburbs will boost its capacity to attract and retain businesses, jobs and households.

Generally, areas in Melbourne's east are more accessible than those in the west. However, analysis undertaken for the EWLNA indicates that the relative accessibility of Melbourne's north east, north west and western suburbs has improved in recent years, principally due to the Western Ring Road and CityLink. These investments have boosted the relative accessibility of the north eastern, north western and western suburbs, sparking new investment in logistics based businesses, manufacturing and housing. [39]

Similarly, EastLink is likely to have a significant effect on urban structure and productivity in the city's eastern suburbs. As Table 3 shows, the number of jobs accessible from the centre of Ringwood within a 30 minute drive is predicted to increase by 67 percent to almost 350,000 by 2011 (without allowing for any growth in the employment base of eastern Melbourne). Dandenong is predicted to enjoy a 75 per cent increase in its jobs catchment to almost 380,000 jobs by 2011.

In other words, the relative accessibility of these centres will improve significantly over the next few years, making Ringwood and Dandenong much more attractive to business and other services – leading to more jobs, greater wealth, more households and stronger economic growth.

There is no corresponding improvement in job catchments predicted for Melbourne's west. In fact, Werribee – located in one of the city's major growth areas – looks set to experience a significant decline in the number of jobs located within a 30 minute drive by 2011.

Figure 11 – EastLink and transit cities

Source: EWLNA (SGS Economics and Planning)

39. SGS Economics and Planning (2008a), *Demographic, Social and Land Use Analysis*, Report prepared for the EWLNA

Table 3 – Job Catchments – 30 Minutes Drive – Melbourne's Transit Cities, 2006 and 2011

	Number of jobs within 30 minutes drive		% change 2006 - 2011
	2006	2011	
Box Hill	430,602	505,543	17%
Broadmeadows	164,088	168,975	3%
Dandenong	216,532	378,260	75%
Epping	135,057	141,039	4%
Footscray	573,854	654,102	14%
Frankston	72,088	92,617	28%
Ringwood	208,162	347,898	67%
Sydenham	25,007	26,271	5%
Werribee	58,201	47,003	-19%

Source: SGS (2008b)

This analysis confirms that accessibility is a key factor in an area's capacity to attract and retain jobs and households. Other things being equal, this suggests that any improvement in the accessibility rating of an area relative to other areas in metropolitan Melbourne will lead to significant urban adjustment – with the area with improved accessibility being able to attract and retain a higher number of jobs and households, compared to a scenario where its accessibility rating is unchanged.

This connection between accessibility and urban adjustment has implications for any changes in Melbourne's east-west transport connections, with significant adjustment likely to follow improvements to accessibility delivered by new transport links.

Study Team Findings

Transport accessibility is a key factor in a region's capacity to attract and retain jobs and households. New and improved cross city connections are likely to lead to significant urban adjustment, with regions with improved accessibility able to attract a higher number of jobs, businesses and households.

Transport disadvantage

Transport systems play an important role in reducing social disadvantage by providing access to jobs, services and social networks. People and households without access to sufficient affordable transport are considered to be 'transport disadvantaged'.

In areas where public transport is not readily available, people without access to a car are likely to experience significant disadvantage. In particular, older people, people with a disability, young people and people who have difficulty understanding English are more likely to have problems accessing transport and are more likely to experience longer travel times to services, jobs and activities.

While still a relatively undeveloped area of research in Australia, a growing body of evidence indicates that "location within the metropolitan urban structure … has become a key determinant of households' and individuals' access to employment and other opportunities".[40]

A number of researchers and commentators view transport disadvantage as a particularly acute problem in Australian cities because they sprawl to a greater extent than equivalent sized cities overseas and because low income households tend to be located on the city fringes (rather than in the inner city).[41]

In Melbourne, areas where housing is affordable are often areas with relatively poor accessibility to public transport. These areas tend to be the outer or 'fringe' suburbs – a situation that has been hastened by 'gentrification', where higher income households have gradually displaced poorer households from inner city areas.[42]

Insufficient public transport options can lead to 'forced car ownership', where households are 'forced' to own and operate multiple private vehicles due to a lack of transport options. Research by Professor Graham Currie from Monash University shows high rates of 'forced car ownership' in low income households outside Melbourne's inner city.[43]

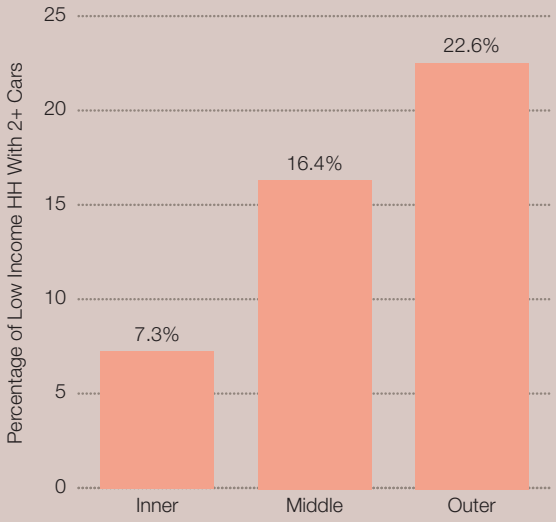
As transport now ranks with housing as a major household expenditure item (see Figure 13), having to own more than one car significantly increases the financial stress on low income households. Transport disadvantage is likely to be exacerbated as petrol prices rise – with the households in Melbourne most likely to be hard hit by high petrol prices located in outer suburban areas, due to their high car dependency and fewer alternative transport options.[44]

Transport also has an impact on other aspects of social disadvantage. A good transport network can reduce social isolation and contribute to a higher quality of life by improving the availability of a wider variety of goods and services, creating new recreational opportunities, providing access to social networks and activities, and opening up new lifestyle choices. Increasingly, transport's impact on the environment is also seen as having consequences for broader social wellbeing, with noise, pollution and other negative impacts affecting people's quality of life.

The EWLNA Study Team notes that the Victorian Government has taken action to tackle transport disadvantage, particularly significant improvements to bus services in outer suburban areas. The Team has taken issues of transport disadvantage into account in exploring options for east-west travel.

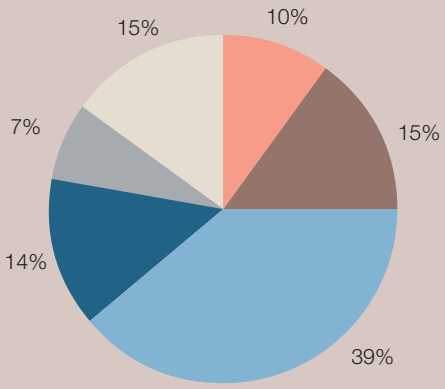
40. Dodson, J., Gleeson, B. and Sipe, N. (2004), *Transport Disadvantage and Social Status: A review of literature and methods,* Urban Policy Program Research Monograph 5, Griffith University, Brisbane
41. See Monash University Engineering (2007), 'Poor on fringes will be isolated as car costs rise', Media Release, 28 June 2007, accessed at www.eng.monash.edu.au/news/fringes.html
42. See for example, Dodson, J. (2004), *Is there a spatial mismatch between housing affordability and employment opportunity in Melbourne?* Conference on the State of Australian Cities, Parramatta, Urban Frontiers Program, University of Western Sydney; Cheal, C. (2003). *Transit Rich or Transit Poor: Is public transport policy in Melbourne exacerbating social disadvantage?* Faculty of Architecture, Building and Planning. University of Melbourne, Melbourne; and Currie, G., Stanley, Janet and Stanley, John (eds) (2007), *No Way to Go: Transport and Social Disadvantage in Australian Communities,* Monash University ePress, Melbourne
43. Currie, G. and Senbergs, Z. (2007), 'Exploring forced car ownership in Melbourne', Australasian Transport Research Forum, Melbourne
44. See Dodson, J. and Sipe, N (December 2005), *Oil Vulnerability in the Australian City*, Research Paper 6, Urban Research Program, Griffith University, Brisbane, p. 23; and Senate Standing Committee on Rural and Regional Affairs and Transport (February 2007), *Australia's future oil supply and alternative transport fuels*, Final Report, Commonwealth of Australia, Canberra, p.68

Figure 12 – Percentage of low income households (less than $500/week) with more than two cars



Source: Currie and Senbergs (2007) – based on ABS 2001 Census data

Figure 13 – Melbourne's household expenditure



- Miscellaneous goods & services
- Housing costs
- Food, alcohol, tobacco & clothing
- Household power, furnishings & services
- Medical and Personal care
- Transport

Source: EWLNA – based on ABS Household Expenditure Survey, Victoria, 2003 to 2004

1.3 The new face of Melbourne's west

One of the most significant changes taking place in Melbourne in recent years has been the strong growth and changing fortunes of the city's western suburbs.

As the Western Transport Alliance observed in its submission to the Study Team:

> *"Melbourne's West is undergoing a major transition from an industrialised area, primarily attracting first home buyers and newly arrived migrants, to a dynamic growth area offering affordability and attracting a broad cross section of society".*[45]

1.3.1 The changing fortunes of the west

Change in the west is being driven by very strong population growth. According to the Department of Sustainability and Environment's *Victoria in Future 2004* projections, the population in Melbourne's west will grow by 34.4 per cent between 2006 and 2030, compared with population growth of 22.6 per cent for Melbourne overall.[46]

Victoria in Future 2004 paints a picture of rapid growth across the west between 2001 and 2031, with the population of Melton growing from 52,000 to 161,000 (205 per cent), Wyndham growing from 87,000 to 208,000 (139 per cent) and Hume growing from 135,000 to 186,000 (37 per cent).[47]

In its submission to the EWLNA, the City of Wyndham noted that strong population growth trends in the west are likely to continue:

> *"There are strong indicators that Melton and Wyndham, and to a lesser degree Brimbank, will continue to experience substantial growth, and an increasing likelihood that the northern growth areas of Hume and Whittlesea will also become increasingly important in terms of metropolitan growth towards the end of the current decade".*[48]

Traditionally, Melbourne's western suburbs have been the location for industrial and service uses, especially heavy and noxious industries such as petrol refineries, petro-chemical industries, munitions manufacturing, chemical products manufacturing, transport and freight depots and the storage of dangerous materials. The presence of these industries – and a general lack of amenity across the western suburbs – gave them an unattractive industrial image that curtailed residential growth. With poor infrastructure and lower levels of private investment also hindering growth, Melbourne's west fell behind other parts of the city.

However, recent years have seen these suburbs become more popular residential locations, fuelled by their perceived proximity to central Melbourne (and the upgrading of access to the CBD through the West Gate Bridge, City Link and the Western Ring Road), relatively low house prices and improving amenity. Heavy industry across the region has reduced, with some larger industrial sites now being redeveloped as planned residential communities.

In the inner west, amenity has improved significantly (aside from those areas affected by truck traffic). As the east and south east suburbs spread further away from central Melbourne, suburbs such as Yarraville, Seddon, Footscray, West Footscray and Maidstone are now seen as attractive areas with good access to inner city services and jobs. Twenty years ago, Footscray stood near the bottom of Melbourne's property prices; today, it is a sought after suburb, with house prices moving up the scale.

The outer western suburbs are now Melbourne's major growth area, with the municipalities of Melton and Wyndham among the fastest growing local government areas in Australia. New housing estates on the western fringe – such as Caroline Springs, Sanctuary Lakes and Point Cook – reflect the area's growing wealth and popularity. Further housing estates are under construction or being planned.

Williamstown – the original European settlement in the region – is now a middle-income suburb with increasingly expensive waterfront homes. Western bayside suburbs, such as Altona and Werribee South, previously relatively undeveloped for residential purposes, are now experiencing strong growth.

However, despite this recent growth, analysis undertaken for the Study Team indicates a clear east-west division in Melbourne in terms of trends in household characteristics, skills, education background and employment. The analysis shows a pattern of established affluence in Melbourne's eastern suburbs, while the western and outer fringe areas have a lower socio-economic profile.[49]

45. Western Transport Alliance Submission to the EWLNA (2007), p.16
46. DSE (2004)
47. DSE (2004)
48. City of Wyndham submission to the EWLNA (2007), p.16
49. SGS Economics and Planning (2008a)

While 40 per cent of Melbourne's population is located in the west and 60 per cent in the east,[50] resources, services and investment are skewed in favour of the eastern parts of the city. For example, the vast majority of large corporate shopping centres (such as Chadstone, Southland, Eastland, Knox City and Doncaster Shoppingtown) are located in the east. These centres are major retail performers and travel generators across metropolitan Melbourne. The distribution of community infrastructure (such as schools, hospitals and TAFEs) also favours Melbourne's east.[51]

While recent initiatives, investment and population growth are starting to redress the imbalance, the east-west divide in metropolitan Melbourne's economic and social structure is likely to continue into the future. Outcomes in the western suburbs are likely to remain different to those in the east and south, especially with respect to skills and educational attainment. This is partly due to the west having to accommodate a high number of overseas migrants, many of whom will take time to establish themselves and improve their skills and incomes.

There is no doubt that the transition occurring across Melbourne's west is generating new opportunities, but it is also creating economic, social and environmental challenges – particularly in relation to the provision of infrastructure.

Significant opportunities exist to tackle these challenges and advance the region's social and economic development. These opportunities include greater support for growth and development in major suburban centres and improved transport accessibility.

Several submissions to the Study Team expressed concern that insufficient attention has been given to the rapid growth in the west. The Study Team agrees with these assessments and with the view expressed by the City of Wyndham that:

> *"The EWLNA needs to consider the overall context of the metropolitan area and the respective transport networks to serve the region, rather than focus on a network that caters for a projected level of population/ employment and growth scenario".*[52]

The Study Team recognises – and has carefully considered – the vital role that improved transport connections can play in overcoming Melbourne's east-west divide, in creating new investment, business and employment opportunities in the west and in boosting the competitiveness of the western regional economy.

What the west needs

Several groups – including local councils, the Western Transport Alliance and Melbourne's West Area Consultative Committee – have identified the economic challenges the west must meet over the next 10 to 15 years, including:

- Supporting the region in shifting towards a more service-oriented economy and away from its traditional reliance on the manufacturing industry for jobs
- Facilitating and supporting new business investment, particularly in industry sectors with the potential for growth during the coming years
- Improving skills within the western region workforce and improving business access to skilled workers
- Generating more locally based jobs
- Improving infrastructure across the region, particularly better transport links within the west and between the west and the CBD
- Managing urban sprawl
- Boosting business and employment opportunities in suburban centres and Transit Cities in the west.

50. DSE (2006)
51. See SGS Economics and Planning (2008a)
52. City of Wyndham submission to the EWLNA (2007), p.18

1.3.2 Melbourne's east west divide

While the face and fortunes of the western suburbs are changing, there is still a significant divide between Melbourne's east and west in terms of terms of skills, household income, employment and socio-economic disadvantage.

Skills

The skills composition of Melbourne's population remains skewed towards the city's east, with the proportion of the population that has attained post-school education (at the level of Postgraduate Degree, Graduate Diploma and Graduate Certificate, Bachelor Degree and Advanced Diploma and Diploma) significantly higher in the inner city and eastern suburbs. Proximity to education institutions and access to quality housing, public transport and basic services are key factors that have contributed to this settlement pattern.

Comparatively, there is a significantly lower proportion of skilled people within the western suburbs and outer metropolitan fringes. In the west, the outer metropolitan areas of Melton East and Wyndham South have attracted higher numbers of skilled people due to recent investment in housing. While this has contributed to a slight re-balancing of the citywide skills composition, the east-west divide remains very much in evidence.

As noted by the National Institute of Economic and Industry Research, this difference in skills levels represents "a significant disadvantage to the [western] region, particularly since competition to attract higher skilled businesses is high. In other words, without the appropriate capacity of local human capital, the potential to attract highly skilled business to the region is severely diminished."[53]

Jobs

The highest concentration of jobs is in central Melbourne, with the Melbourne Local Government Area (LGA) accounting for 19.2 per cent of total employment across the broader metropolitan areas. Almost 53 per cent of Melbourne's employment is located in two geographical areas: 'inner Melbourne' (comprised of the Melbourne LGA and four adjoining LGAs) and the south east Melbourne economic hub. Other LGAs with a high concentration of jobs include Port Phillip, Yarra, Dandenong and Kingston.[54]

In the last major travel survey conducted in Melbourne (the Victorian Activity Travel Survey of the late 1990s), Melbourne's top 20 work destinations were mostly in the inner city. The highest number of trips to work was to the CBD, followed by Carlton and the St Kilda Road area.[55]

However, most Melbourne municipalities have experienced jobs growth over the last 30 years. The greatest jobs shift was to Greater Dandenong, while Wyndham, Hume, Whittlesea and Casey also enjoyed strong increases in jobs numbers. Local government areas that experienced a decline in job numbers between 1971 and 2006 include Maribyrnong, Moreland, Darebin, Hobsons Bay and Yarra.[56]

An examination of employment by occupational categories across the city also indicates a significant division between east and west, with a significantly higher concentration of managerial and professional jobs located in the eastern suburbs.[57]

Household income

Overall, the eastern suburbs continue to retain a higher proportion of high income households.

As with skills distribution, the outer west areas of Melton East and Wyndham South are in a better position than the other western suburbs. This may reflect the high numbers of new homebuyers in these areas, as their demographic profile is likely to align with the highest income earning period in the family life cycle. However, relatively high incomes in these outer areas do not necessarily point to a fundamental socioeconomic shift, as indicated by the continuing under-representation of higher skill groups.

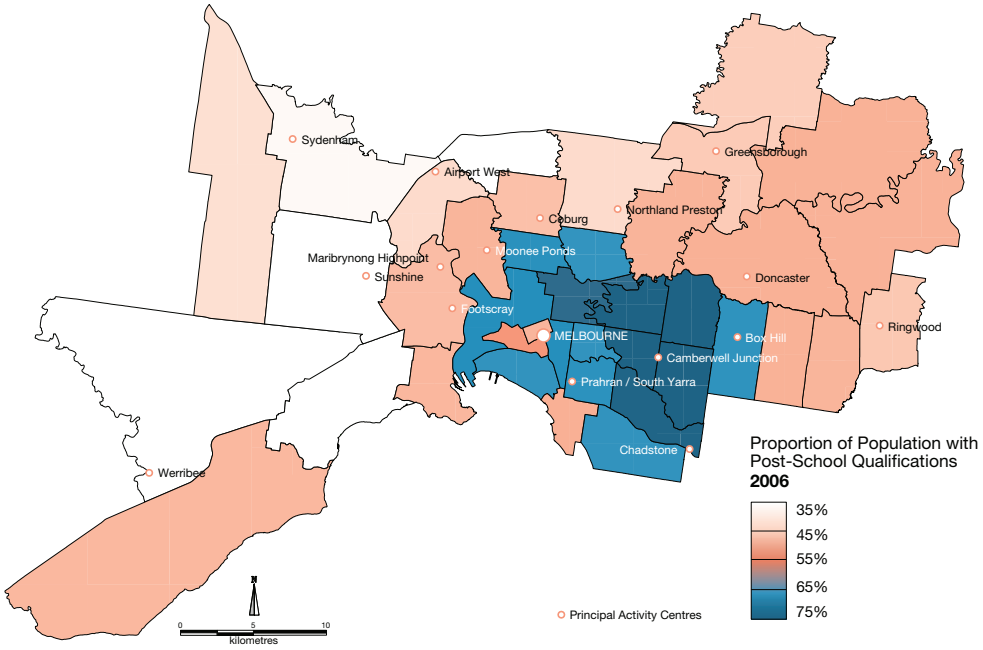
Socio-economic disadvantage

The Socio-Economic Index of Disadvantage (SEIFA), developed by the Australian Bureau of Statistics, is based on a range of indicators of disadvantage, including income, education, wealth and living conditions. SEIFA measures the level of social and economic well-being of a region relative to other regions, with low values indicating areas of disadvantage and high values indicating areas of advantage and relative affluence.

Mapping the SEIFA index across the EWLNA Study Area shows a clear east-west divide in relation to the wellbeing of communities, with a significant proportion of municipalities in Melbourne's west being comparatively less well-off than their eastern counterparts.

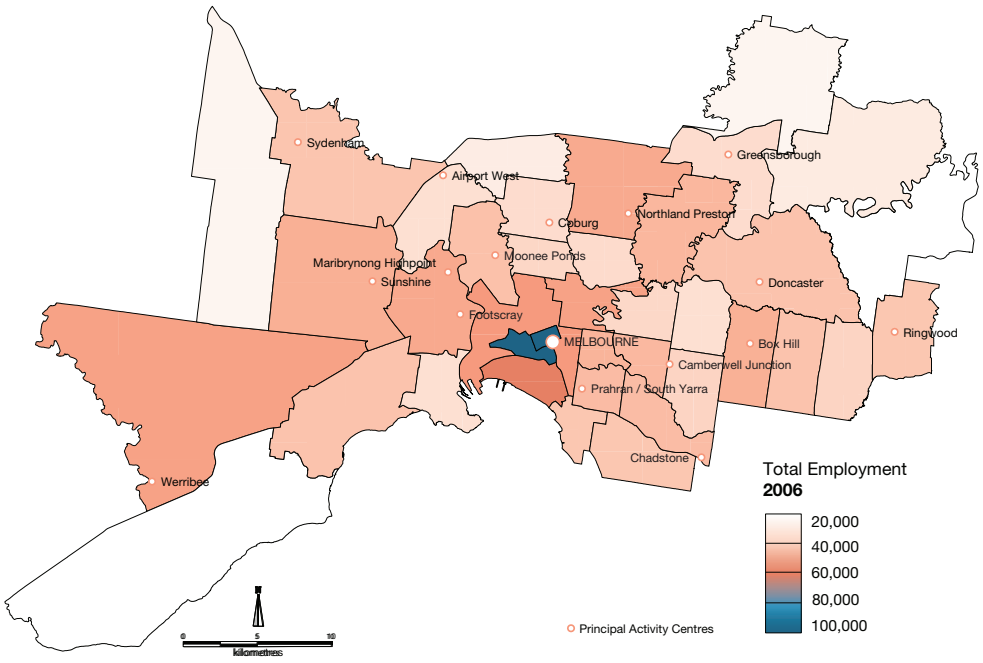
53. National Institute of Economic and Industry Research (2004), *Growing Melbourne's West: Challenges and Opportunities – An Economic and Social Analysis of Melbourne's Western Region,* Report prepared for Melbourne's West Area Consultative Committee (MWACC), Melbourne
54. DOI (2008) and see SGS Economics and Planning (2008a)
55. DSE (2006)
56. Ibid
57. SGS Economics and Planning (2008b)

Figure 14 – Education attainment, 2006



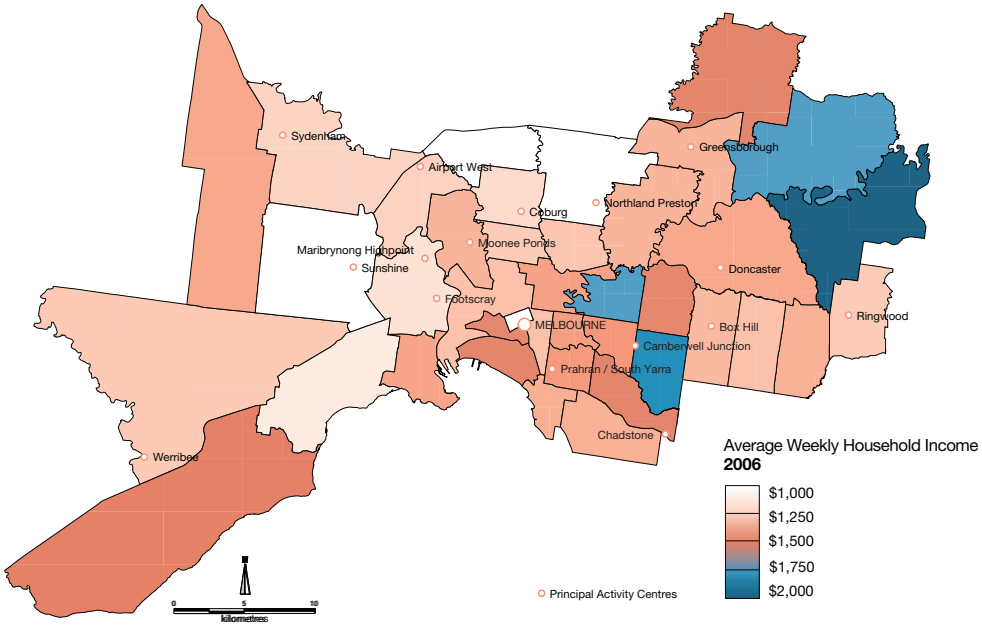
Source: EWLNA (SGS Economics and Planning)

Figure 15 – Total employment by SLA, 2006



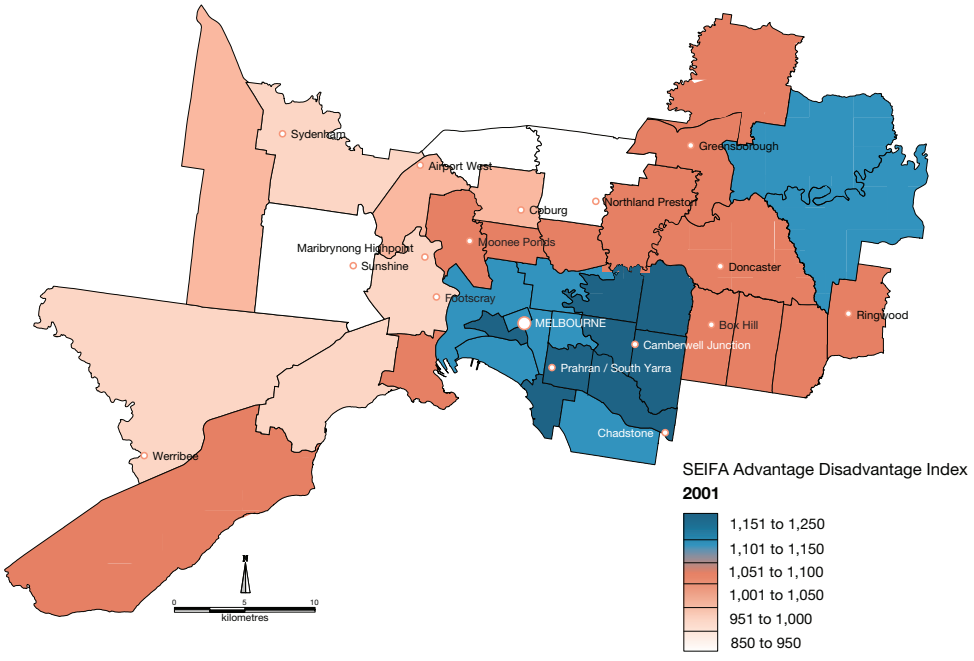
Source: EWLNA (SGS Economics and Planning)

Figure 16 – Weekly household income profile, 2006



Source: EWLNA (SGS Economics and Planning)

Figure 17 – SEIFA Index for Advantage\Disadvantage, 2001



Source: EWLNA (SGS Economics and Planning)

Study Team Findings

Melbourne's west is undergoing a major transition, driven by strong population growth that is clearly outstripping employment growth, exacerbating travel pressures from and to the west.

The transport network in the west is not as developed as that in the east, with lower levels of access to employment, services and education.

There continues to be a clear east-west divide in terms of trends in household characteristics, skills, education background and employment. Improved transport connections are critical to overcoming this divide, supporting strong growth in the west and boosting the competitiveness of the western region economy.