

SUBMISSION TO THE STANDING COMMITTEE ON INFRASTRUCTURE, TRANSPORT AND CITIES

INQUIRY INTO THE AUSTRALIAN GOVERNMENT'S ROLE IN THE DEVELOPMENT OF CITIES

Thank you for the opportunity to comment on the Inquiry into the Australian Government's role in the development of cities.

We have reviewed the Terms of Reference, and note the two sub-inquires: **1) Sustainability transitions in existing cities**, and, **2) Growing new and transitioning existing sustainable regional cities and towns**.

The Shopping Centre Council of Australia (SCCA) represents Australia's major owners, managers and developers of shopping centres. A list of our members is available at www.scca.org.au.

WE ARE ALREADY CREATING GREAT PLACES

As the only group representing major shopping centre owners, managers and developers, and as a group which has had detailed involvement on relevant policy issues across the country in recent years, the SCCA is uniquely placed to comment on matters related to cities planning and policy, including the relevant concept of activity centres and centre planning.

A lot of what is sought in this review, is already known and strived for by our members.

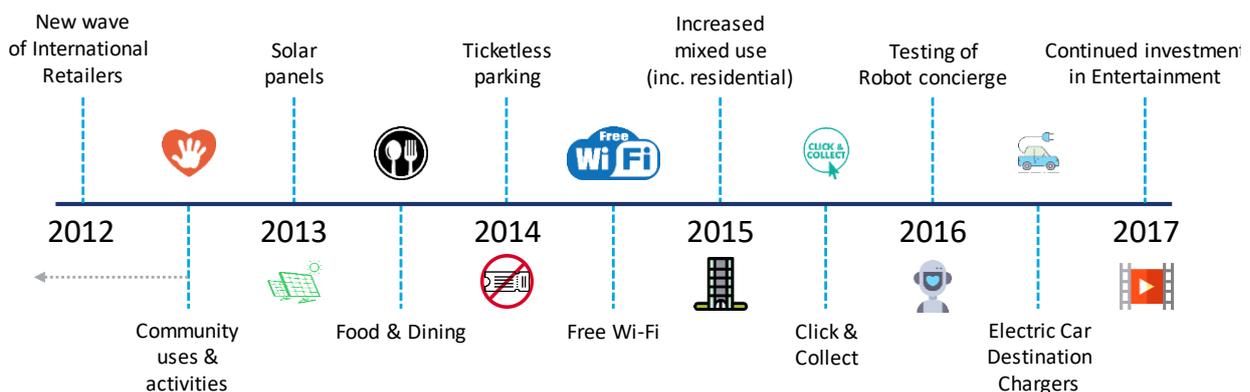
They are building vibrant community hubs which form the basis of great places within city and town centres.

Our members are creating entertainment hubs, food and beverage precincts, and bringing together important community services such as child care and medical services, as well as government shop-fronts like Medicare and Centrelink.

Their centres bring jobs closer to where people live, enhance urban liveability by providing necessary services and amenities closer to home, and are ensuring increased accessibility and sustainability with investment in innovative technology in their centres with things such as rooftop solar farms, Wi-Fi for visitors, ticketless parking and electric vehicle charging stations. Some members are even partnering with community services to provide local job seekers employment opportunities.

All of this is being done purely to provide a broad and efficient service offering to their customers, responding to changes in consumer behaviour and evolving technology, without intervention from the Federal Government.

5-year timeline of ongoing shopping centre innovation



Source: SCCA Research
Icon Source: flaticon.com

NOTE: Timeline is for illustrative purposes only.

The most recent National Built Environment Rating System (NABERS) Annual Report for 2015-16 showed the growth in the number of rated shopping centres, and marked an improvement in the average star rating achieved. This shows the pro-active nature of our industry, to adapt and create more sustainable centres.

WE MONITOR AND TRACK OUR ASSETS

We monitor and track our members assets to know how they are performing, and what factors are at play that can affect sales performance, safety, customer satisfaction and development.

There are a range of metrics and indicators we use, including asset value, statutory charges and land valuation, foot traffic, development pipeline, and others.

As we monitor our members' assets, we are well aware of the performance of centres across different locations as well – whether inner city, suburban, outer suburban or regional areas.

These areas have various factors that influence their performance, such as trade area demographics including employment levels and median weekly household income.

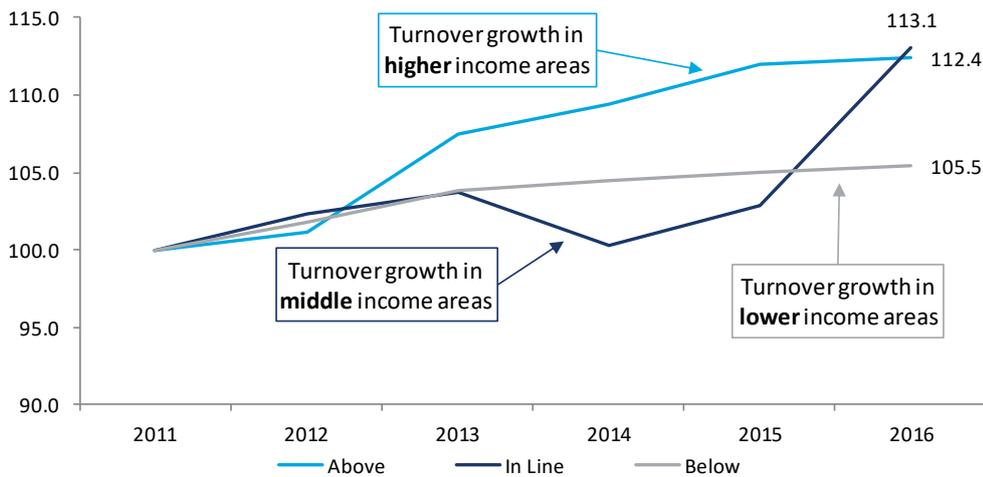
Below charts the moving annual turnover (MAT) by 'cohort' of areas above, in line, and below median weekly household income (MWHI).

It highlights that in areas with 'above' or 'in line' MWHI, shopping centre MAT increases at double the rate of 'below' MWHI.

Put simple, centres in areas with middle and higher incomes often perform better than those in areas with lower incomes.

Australian Shopping Centre Trends by MWHI Cohort

Moving Annual Turnover (MAT) - 2011 to 2016



Source: SCCA Research

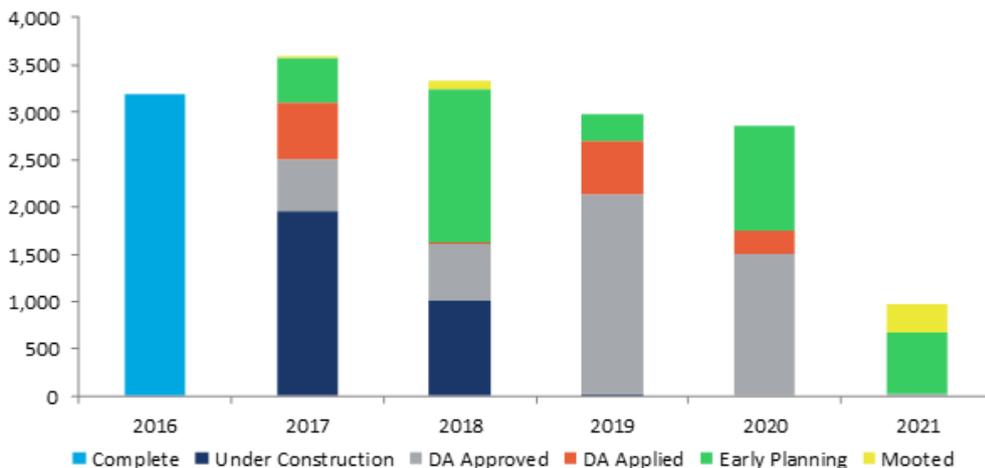
We also closely track our members development pipeline, which is attached below, split into development stages by year.

The pipeline shows that that over the next three years (2017-2019), our members are investing \$9.9 billion in their centres across Australia.

This investment is not done at random, it comes in the context of existing government spatial plans, which help our members decide where to invest and develop, based on government priority locations, along with other emerging consumers trends such as fashion trends, increasing and improving the food and beverage offering, re-mixing the retail offer (including new market entrants and some international retailers) and increasing the proportion of non-retail floorspace.

Some centres can have development stages over many years, which is accounted for in the below chart.

SCCA Members Development Pipeline
National Project Value by Stage (\$ million)



Source: SCCA Research

OUR INTEREST IN THIS INQUIRY

We have contributed to, and analysed the potential impact of, a range of relevant federal-level reviews, inquiries and recommendations in recent years which have obvious relevance with the terms of reference to this inquiry, including: **1)** The **Harper Competition Policy** review, which made specific recommendations regarding land use planning, including with regard to competition in the planning system. (Critically, the Government's response to *Recommendation 9 – Planning and Zoning*, noted that this is an area of state responsibility); **2)** The House Standing Committee's most recent past inquiry into the **role of transport connectivity on stimulating development and economic activity**; and **3)** Infrastructure Australia's **Infrastructure Priority List** and *Priorities and Reforms for our Nation's Future Report*.

This comes in addition to our involvement in the Government's consultation on the *Smart Cities Plan* and *Value capture Discussion Paper*. This submission draws and builds on many of the concepts discussed in these two earlier submissions.

The timing of this inquiry is more peculiar to us because strategic 'city' planning is already happening across the country, including, in some cases, by dedicated Government bodies, such as the Greater Sydney Commission.

We have been involved at the state and territory, and, sometimes, local level in a number of recent reviews which have informed strategic city planning documents, including the more 'high-profile' plans such as the Greater Sydney Commission's *Draft District Plans*, the *Plan Melbourne Refresh* and the update of the *SEQ Regional Plan*.

These plans, which are underpinned by centres hierarchies and include commentary and policy directions about growing and improving centres, recognise and take into account the various public goods that come from the planning system, including transport and infrastructure efficiency and productivity, environment and heritage protection, resource protection, employment growth and minimising land use conflict.

THE ROLE OF THE AUSTRALIAN GOVERNMENT

We don't believe there is any one significant new role for the Australian Government in relation to cities, either as a result of step-change reform, or as an express, separate function from the broader 'role of government'.

The Government's role, as is currently the case, stems from its contribution, whether expressly related to 'cities' or otherwise, through existing legal frameworks, including heads of power under the constitution, relevant governance frameworks, including via Intergovernmental Agreements and the role the Council of Australian Governments, and the distribution of wealth via the tax system.

In an applied sense, this includes the provision of relevant infrastructure which can provide for the important fabric of cities including fast accessible broadband through the National Broadband Network, decreasing vehicle kilometres travelled through contributions to major transport and other 'nation building' projects and providing reliable and affordable power through strengthening the energy system.

We understand, and can appreciate, the Government's eagerness to be involved in 'cities', but it is hard to consider any further role beyond the current functions of the Commonwealth, as discussed above, recognising current allocation of responsibilities between the Commonwealth and states and territories on land use and development issues, as is referenced in the preamble to the Terms of Reference.

Realistically, the best role for the Government in 'cities' planning is to facilitate collaboration between all three levels of government to promote best practice planning principles around key themes such as productivity, technology, sustainability and other emerging trends as well as championing activity centre based planning as a means to achieve this.

SMART CITIES PLAN?

It would be fair to say we are unsure of the relationship between this inquiry and the *Smart Cities Plan*, given the Terms of Reference make no mention of this Plan.

We had assumed that the Plan was the final word on the Government's 'cities' agenda.

We are concerned that the outcomes of this review may either duplicate, or contradict, the Plan, and result in more 'noise' on the subject.

The two sub-inquiries both refer to transitioning or growing 'sustainable' cities.

The concept of sustainability is already referenced in numerous contexts throughout the Plan, including lines such as; "...drive the take up of smart technology, to improve the sustainability of our cities...", "...helping to improve the sustainability of buildings and communities" and "...improve the efficiency, sustainability and services of infrastructure networks".

To our knowledge, no Australian city is, or would be, short on ambition to ensure their city thrives economically, socially and sustainably.

Frankly, most of the Terms of Reference fall under the 'Smart Cities' banner, and should be informed by the Cities Division within the Department of Prime Minister and Cabinet.

Respectfully, we believe there would be a more productive use of Parliament’s time and resources than to duplicate planning strategies which are already being undertaken at the state and territory level.

INFRASTRUCTURE FUNDING

One thing that we do not want the Government to do is to continue to use, and promote, ‘value capture’ as a legitimate infrastructure funding tool.

One of the main criticisms we have of the *Smart Cities Plan*, and ongoing reviews, such as this one, is that it is a ‘trojan horse’ for the Government to push the agenda for the use of so called ‘value capture’.

It is no secret that the SCCA is healthily sceptical of the use of ‘value capture’. We made these views known to the Committee via its recent past inquiry into the role of transport connectivity on stimulating development and economic activity.

We are of the view that much of the debate on its use is oversimplified, or merely glances over fundamental issues, such as land valuation (including statutory land valuation processes administered via governments).

We have a strong evidence base to support our position on the topic, and have previously provided the Committee with a copy of our policy position paper: *Value-Capture Funding*.

Simply speaking, we are of the view that there is no credible method to properly isolate and quantify the contribution made by an infrastructure project, let alone a proposed future infrastructure project (e.g. under a ‘cities plan’), to an asset’s land value.

As stated in our response to the *Value capture Discussion Paper*, value is driven by many factors beyond the mere presence of a piece of infrastructure.

While we note and support Infrastructure Australia’s list of priorities (which we have analysed to understand its potential ‘impact’ to our members’ assets (see below)) there is a large gap on issues such as who bears the risk in relation to adverse impacts during the construction phase and, more recently, issues such as value capture.

Below is a snapshot from our internal briefing note, showing the state-by-state breakdown of potential infrastructure projects, and the incidence of impact on our members assets.

Table 1: State-by-State Breakdown of Centres

State	Potential Projects	Incidence of Impact*
NSW	9	137
VIC	6	43
QLD	6	17
WA	1	4
SA	3	9
TAS	1	5
NT	0	0
ACT	0	0
Total	26	215

Source: SCCA Research
* a centre may be impacted by more than one project and will be counted for each project.

This is just another example of how we as an industry look to analyse and understand the implications of Government policy and programme, as well as other internal and external effects on our members assets, as detailed on page 2.

STRATEGIC PLANNING AND ACTIVITY CENTRES

As stated on page 1, what is sought by this review is already being done by the state, territory and local government level.

An example of this type of strategic planning is the Greater Sydney Commissions *Draft District Plans*, which is a 20-year plan “translating and tailoring” metropolitan planning priorities to give effect to the four goals of *A Plan for Growing Sydney*.

The *Draft District Plans* focus on priorities and actions for each District (which are comprised of Local Government Areas (LGAs) and broken down further into priority ‘centres’). These priorities may fall into, or overlap, in one of three chapters, productivity, liveability and sustainability.

Arguably, all the terms of the first sub-inquiry, *Sustainability transitions in existing cities*, fall into one of the three chapters under the *Draft District Plans*. It is not to say that the *Draft District Plans* are all-encompassing documents, that are not without faults, but more-so that states and territories, and local councils, are actively involved in strategic planning and are looking to create sustainable, productive, innovative, liveable and ‘smart’ cities, towns and centres.

Although the Terms of Reference do recognise the role of the states and territories in planning, stating the “primacy of state, territory and local government in the areas of planning and service provision”, we are uncertain the Federal Government fully appreciates the complexity of local planning systems.

In some ways, activity centres and ‘cities’ are synonymous.

Activity centres form the basis of metropolitan planning across Australia, and have for decades. They are hubs of economic and social activity and, increasingly, residential activity as a result of a growing interest across jurisdictions in mixed use communities. This should be the case in regional cities and towns as well as metropolitan areas.

There are many known benefits to a centres based approach to planning. A report by SGS Economics and Planning prepared for the SCCA in April 2011 stated that this approach can be the framework through which the following benefits can be realised:

- More sustainable travel including:
 - reduced passenger Vehicle Kilometres Travelled (VKT) per year per capita
 - greater physical activity.
- Enhanced agglomeration economies including:
 - labour productivity enhancement
 - increased human capital.
- Concentrations of development density leading to:
 - Greater housing diversity
 - Efficient utilisation of infrastructure and resources
 - Avoided consumption of rural and agricultural land.

Source: Activity Centre Policy Benefits – Final Report, SGS Economics and Planning, April 2011 (prepared for the Shopping Centre Council of Australia)

As stated above, centres not only promote competition, they can reduce the number of ‘trips’ (vehicle kilometres travelled) an individual may need to undertake to complete their daily tasks.

It is just as important in regional areas as it is in metropolitan areas to create vibrant town centres, and maximise the investment in more concentrated areas on certain types of infrastructure including roads and public transport.

Although governments have historically understood the benefits of co-locating employment use, including retail, with community spaces and transport infrastructure, some state and territory government’s still periodically review their activity and retail policy frameworks, with a view (implicit or explicit) to provide more ‘flexibility’ for other types of retail, including so-called large format retailing in out-of-centre locations.

The Government’s focus on cities – which are akin to activity centres – should be embraced at the jurisdictional and local level, meaning that activity centres should remain the cornerstone of metropolitan planning across Australia.

RECOMMENDATIONS

We respectfully request that the Committee considers the following recommendations to its Inquiry into the Australian Government’s role in the development of cities:

1. That the Federal Government’s express (as opposed to the general role of government) role in relation to cities planning be limited to:
 - a. avoiding duplication with current express ‘cities’ initiatives at the state and local levels,
 - b. facilitating collaboration between all three levels of government to promote best practice planning principles around key themes such as productivity, technology, sustainability and other emerging trends, and,
 - c. champion activity centre based planning as a means to achieve the above.
2. That the Federal Government does not promote, implement, or, further consider the use of value capture as an infrastructure funding tool.
3. That the Committee provides clarity regarding the relationship between this inquiry and the Smart Cities Plan.

ABOUT US

The SCCA represents Australia's major shopping centre owners, managers and developers. Our members own and manage shopping centres from the very largest ('super-regional') centres to the smallest ('neighbourhood') centres in cities and towns across Australia.

Our members are AMP Capital Investors, Blackstone Group, Brookfield, Challenger, Charter Hall Retail REIT, DEXUS Property Group, Eureka Funds Management, GPT Group, Ipoh Management Services, ISPT, Jen Retail Properties, JLL, Lancini Group, Lendlease Retail, McConaghy Group, McConaghy Properties, Mirvac, Perron Group, Precision Group, QIC, Savills, SCA Property Group, Scentre Group, Stockland and Vicinity Centres.

CONTACT

Kristin Pryce

Deputy Director

Phone: 02 9033 1941

Email: kpryce@scca.org.au

Erin Clout

Policy Adviser

Phone: 02 9033 1912

Email: eclout@scca.org.au