

- Ladies and gentlemen

Shakespeare once wrote, “The people are the city¹.”

What does that mean, exactly?

For me, it means two things:

One, the destiny of a city like Melbourne – or a State like Victoria – is defined by the collective commercial, creative and cultural efforts of its people;

And, **two**, the collective character of Melbourne and Victoria changes as the circumstances of its people also change.

If Victoria’s people age, or multiply ... If Victoria’s people want to catch public transport ... If Victoria’s people are finding it harder to attain childcare, harder to afford a home, harder to pay the rent or meet mortgage payments ... If any – or all – of these changes occur to a State’s people, the cities and suburbs and towns that make up that State change.

And if that evolution threatens to alter the essential character of a State – such as its liveability and its cultural diversity – then decisive action needs to be taken.

And that’s what I want to talk to you about today.

I want to talk about:

The diverse and dynamic people of Melbourne and Victoria;

Their rapidly changing circumstances;

And the decisive actions our Government is taking now to meet the challenges of the future and make Victoria the best place to live, work and raise a family.

FIVE CITIES THE SIZE OF GEELONG

In 2001 – seven years ago – there were 3.47 million people living in Melbourne.

At the time, the projections were telling us that, by 2030, there would be more than 4.5 million Melburnians – and 6.2 million Victorians.

That’s more than 1 million extra residents in Melbourne alone – the equivalent of five new cities the size of Geelong.

¹ *The Tragedy of Coriolanus*, William Shakespeare (circa 1608)

We have dealt with growth of this magnitude before.

In the post-War boom, between 1947 and 1966, Melbourne's population grew by 1 million – with the city almost doubling in size from 1.22 million to 2.23 million people.

Those new Victorians – through their hard work and innovation – made the prosperity of that post-War period possible.

But the next generation of new Victorians could have an even greater impact on our prosperity.

With our ageing population we will need each and every one of those new Victorians to ensure we have enough men and women to stay in the workforce and drive our economy into the 21st century.

To maintain our standard of living as a city and a State, we need to grow. But we need to grow in a managed, sustainable way.

That's why, back in 2001, our Government used the 1 million Melburnians projection as the basis of *Melbourne 2030* – our plan to manage growth across Melbourne and regional Victoria.

Our vision was to make Melbourne marvellous again – developing the right policies, services and infrastructure to build a global city that is even more sustainable and liveable.

Since then, we have been getting on with the job of realising that vision not just for Melbourne but across the whole State.

We have tripled infrastructure spending.

We have made our hospitals the best in the nation – our crime rate the lowest in the nation – and our new housing the most affordable on the eastern seaboard.

We have delivered \$4.5 billion in tax cuts – halving the top rate of land tax, cutting stamp duty for homebuyers, slashing payroll tax, and delivering four consecutive cuts to WorkCover premiums.

And we have attracted new investment.

As a result, we lead the nation in jobs creation, training and apprenticeships, housing starts, building approvals, water recycling and water efficiency, renewable energy, and biotechnology and medical research.

And we have kept the budget in the black.

We have, in short, created a new agenda for Victoria that is all about achieving greater productivity, liveability and sustainability.

We have worked hard ... we have done a lot ... and we are on target to be ready for 2030.

But the goalposts have moved since 2001.

Today I am releasing new population forecasts that show Victoria's population is set to hit 6.2 million – Melbourne's 4.5 million – by 2020, rather than 2030.

That's right – those 1 million new Melburnians are coming a decade early.

The analysis undertaken by the Department of Treasury and Finance in conjunction with the Department of Planning and Community Development is based on the latest census data and population forecasts.

The revised population projections take into account changes in international and domestic migration, fertility rates and life expectancy.

Victoria's attractiveness as a State, the growth of Australia's overseas migrants, Victoria's increased share of overseas migrants, plus the baby boom have been the key drivers of our population surge.

Victoria currently² attracts 27% of Australia's skilled migrants – up from 17.5% in 1999. And around one-in-four of the 177,000 overseas migrants who came to Australia last financial year³ chose to settle in Melbourne.

Over the next few years Australia's net overseas migration could hit a record 200,000 per annum – which will further accelerate the growth of Victoria.

The bottom line is that the 6.2 million population estimate for Victoria in 2020 is conservative.

The Department of Planning and Community Development is currently reviewing migration, birth, household formation, and migration data.

That work should be finished by the middle of this year – and the 6.2 million population estimate may have to be revised upwards.

We have been growing at an extraordinary rate since 2001 – and that extraordinary growth is expected to increase.

Between 2001 and 2006, Melbourne's population shot up by a staggering 270,000 – 30% above forecasts – and led the nation in the net growth of households, with new households increasing by 86,613⁴.

That's 30,000 more new households than Sydney – and more new households than Perth and Brisbane combined.

² Based on 2006-07 figures.

³ 24% of Australia's net migrant intake for 2006-07 settled in Melbourne, and 26% in Victoria.

⁴ Bernard Salt, KPMG

Melbourne is now growing at a rate of around 1,200⁵ people a week – and demographer Bernard Salt has projected we will regain our title as Australia’s largest city within 20 years.

Demographically speaking, this is a remarkable reversal of fortune. The days of the mid-1990s when Victoria was losing 40,000 people a year are long gone.

The exodus has been turned around – and people are now voting with their feet in favour of Victoria.

They are coming here because we got the balance right.

We have made Victoria a better place to live and work – we are perennially voted one of the world’s most liveable places – and we are a magnet for working families and new investment.

None of this has happened by accident. It has happened by design.

A decade of rebuilding has delivered success – but we are experiencing growing pains and we need to accelerate the delivery of our plans to alleviate those growing pains.

Put it this way: if the past decade has been all about restoring and rebuilding, the coming decade needs to be all about action – because 2020 is closer than we think.

If you’re in the business of community building, preparing for 2020 is a bit like being told today that 1 million new neighbours are dropping around for a beer and a barbecue this Saturday.

If we’re going to be prepared for our new neighbours, we need to get cracking right now.

If we want to build a more liveable, sustainable and global Melbourne and Victoria – we need to accelerate the delivery of our plans and keep up with the needs of our dynamic community.

After all, consider what 1 million extra residents means for Melbourne as a city and Victoria as a State.

It means more than 380,000 new houses or apartments.

It means huge growth in our transport system – hundreds of thousands of extra cars on our roads, more air travel, and an extra 400,000 public transport commuter trips every weekday.

It means an extra 800,000 patient treatments a year for our health services.

It means our plans to save and source more water through projects such as the desalination plant, the Eastern Treatment Plant recycling project, and the Food Bowl modernisation project are essential.

⁵ According to the ABS, the total increase in Melbourne's population between 30 June 2005 and 30 June 2006 was 62,306 persons.

And it means our plans to tackle climate change through technologies such as renewable energy and carbon capture and storage are critical.

Those are the rapidly changing circumstances of the people of Melbourne and Victoria – circumstances complicated by the intersecting issues of our aging population, the skills gap, the drought and climate change.

Make no mistake, our circumstances are changing rapidly – and we need to respond just as rapidly.

That's why I am announcing today that our Government will release several major statements between now and the end of the year.

Those statements will review our plans and accelerate the actions we're taking – so we are prepared for 2020.

New actions in Regional Victoria – because people living outside Melbourne deserve a greater say in the planning and delivery of new services and infrastructure to respond to the challenges of population change and climate change.

New actions to tackle transport congestion – because patronage on Melbourne's public transport network has surged by 23% over the past 2 years, and the cost of congestion could double by 2020.

New actions on preventative health – because chronic diseases such as cancer and diabetes are the leading causes of death in Victoria – and their prevalence is projected to jump almost 30% by 2020. For the first time in our history, more Victorians are dying from non-communicable diseases than communicable diseases.

New actions on housing affordability – because, with rising house prices and interest rates, we need to keep the dream of owning a home within reach of Victorian families.

New actions on climate change – because we need to prepare for the challenges of a more extreme climate, and capitalise on opportunities generated by the emerging climate change economy.

New actions on innovation, jobs and skills – because we are facing a skills gap of 123,000 jobs over the next decade, which could hold back our ability to benefit from the climate change economy;

New actions on farming – because, with climate change and the drought, we need to secure the future of our vital farming sector.

And new actions on social inclusion – because we need to ensure Victoria remains the best part of the best place in the world – and becomes even more accessible to more people.

At the same time we are accelerating our program delivery we will be doing more to give Victorians a greater say in the decisions that affect their lives.

HOUSING AFFORDABILITY

These new actions we are taking are all interrelated – all important – but I suspect the issue of greatest interest here today is housing affordability.

Home ownership has been the dream of Victorian families ever since the first auction was held in Melbourne on June 1, 1837.

The first block of land legally sold⁶ in Melbourne was the north-eastern corner of King and Flinders Streets. It was snapped up by John Pascoe Fawkner for 32 pounds.

By the time Fitzroy had become our first suburb, we were land lovers.

One advertisement for Fitzroy in 1839 trumpeted the area as “The Melbourne Retreat” – and promised the buyer would find the property “an acquisition to their steadily rising fortune”.

Our Government has acted decisively to help entry-level homebuyers and ensure that aspiration remains affordable.

We have cut stamp duty for houses priced between \$115,000 and \$500,000.

We have extended the *First Home Bonus* until June 30 next year – meaning first homebuyers purchasing a new home worth up to \$500,000 can receive up to \$12,000.

We were the first State to abolish stamp duty on mortgages and remain the only state to provide an off-the plan concession.

We also provide the most generous pensioner stamp duty concessions of any State.

As a result, State Government charges account for only 1.2% of the cost of buying a first home in a growth area⁷.

Before our election in 1999, State Government charges as a proportion of the purchase price of a first home were three times higher – at 3.7%.

All of which is why it’s no surprise Victoria leads Australia in new housing starts – and is expected to continue to do so for another 3 years.

One of the reasons why we are growing so strongly is *Melbourne 2030* – which is designed to protect the liveability and affordability of Melbourne.

⁶ John Batman claimed to have bought much of Melbourne from the Wurundjeri people.

⁷ Based on estimated first home median price, including first homebuyer assistance.

That being said, the dream of owning their home is becoming harder for families to achieve.

According to figures released by the Real Estate Institute of Australia last Friday, the proportion of family income required to meet average home loan repayments is now at a record 37.4% across Australia.

Renters are now spending 23.9% of their income on rent.

Victoria⁸ is still the most affordable housing market on the Eastern seaboard for homebuyers and renters – but our affordability fell by 5.5% last year.

While the current affordability squeeze is driven largely by interest rates and inflation the State Government has a clear responsibility to plan for our future growth and address planning and land supply issues.

That's why, when I became Premier last year, I made planning and urban development a priority area. Since then:

We have released the *Making Local Policy Stronger* report together with a 5-point priority action plan to implement the report's recommendations;

We have released a discussion plan outlining new draft residential zones for public comment;

And we have almost completed auditing *Melbourne 2030*.

A year ago, the *2006 Urban Development Program* report found that we had enough land to last until 2030 – a 25 year total land supply. The projections in that report were based on the 2001 Census.

Today I am releasing the *2007 Urban Development Program* report – with projections based on the 2006 Census – and it shows a dramatically different picture compared to 12 months ago.

Twelve months ago, the UDP projected Melbourne had 25 years of total land supply. Today, they are projecting we have a 15 year supply.

That change in total land supply projections – from 25 to 15 years – is primarily due to an underestimation of population growth.

The 2006 UDP report estimated Australia would take an average of 110,000 migrants a year after 2004.

⁸ Victoria proportion of income for mortgage is 36.2% (NSW 39.8%, Qld 38.7%) – for rental Victoria's proportion of income is 20.6% (NSW 24.8%, Qld 25.1%).

The reality, as I stated earlier, is that Australia took 177,000 migrants last financial year – and could take in excess of 200,000 per annum over the next few years.

In short, the faster we grow the greater the demand on land supply.

Based on current projections, the 2007 UDP report forecasts that Melbourne only has 7-to-8 years of zoned land supply – compared to 9-to-10 years 12 months ago.

The supply of zoned land falls to between 5-and-6 years in Cardinia and Casey.

That is significantly below our target of having a 10-year supply of zoned land.

What this tells us is that we need to bring more zoned land to the market more quickly and we need to improve the way the planning system works.

When I met with key industry bodies, local Government and affordable housing groups a few weeks ago that's what they told me.

Their message was simple. Get unnecessary delays stripped from the system. And no more planning processes with multiple stages, overlapping and duplicated referral and approval processes.

As a result of this Byzantine approvals process, it can take up to 5 years from the time a developer purchases a site to when it is released to the market.

Five years is not acceptable. We have to do better.

With that in mind, I am today announcing the next major instalment in our plans to deliver housing more efficiently in our growth areas.

First. We will rezone all remaining developable land inside the urban growth boundary in the growth areas – creating a new Urban Growth Zone.

In coming weeks, the Minister for Planning and the Growth Areas Authority will consult with growth area councils regarding the Urban Growth Zone.

The new Urban Growth Zone will fast track the development of what is currently farming land – opening up more than 90,000 blocks of land for residential use.

The Urban Growth Zone will be part of a new and improved planning process that will be developed by the Minister for Planning, the Growth Area Authority and relevant councils.

The aim of those improvements will be to get zoned land to the market quicker, faster and at less cost.

To put the scale of this rezoning into perspective there are around 10,000 blocks of land developed in growth areas each year for residential purposes.

This will significantly simplify the rezoning amendment process – allowing the Growth Area Authority and the local councils to focus on the development of Precinct Structure Plans.

PSPs will determine the character and make up of new residential areas, but the creation of the Urban Growth Zone means that the process can now be undertaken without unnecessary planning duplication.

The Urban Growth Zone will also open land up for industrial purposes to meet government targets – again in accordance with the relevant Precinct Structure Plan.

Second. We will replace the overly complex planning processes currently used in growth areas with new comprehensive precinct structure plans.

To speed up the preparation of Precinct Structure Plans, the Growth Areas Authority will take a stronger leadership role in the development of those PSPs for growth areas.

In the coming months we will announce a new process for the development of comprehensive Precinct Structure Plans with an increased role for the GAA.

These Plans will identify:

- Areas to be developed for housing, employment areas and activity centres;
- The nature and location of community facilities such as schools and community amenities;
- Public transport routes, major roads, and cycling and walking trails;
- And open space networks and any areas which are to be retained for environmental or other reasons.

Third. Native Vegetation Precinct Plans will be incorporated into the PSP process – rather than being dealt with separately.

In other words, native vegetation will go from being an appendix to part of the planning process.

This is a significant reform. It will achieve additional time savings and ensure Melbourne's continued development also achieves the best possible environmental outcomes.

These reforms will help take the pressure off Local Councils – with additional resources being allocated to the GAA to work with local councils on the development of Precinct Structure Plans.

The more comprehensive plans will also mean that the strategic planning is done right the first time. Not the third, fourth or fifth time.

These reforms will cut the time it takes to prepare land for development by more than 12 months – cutting thousands of dollars in development costs and significantly increasing the supply of new housing.

This saving of time and money will put downward pressure on house prices and ensure Melbourne remains the most affordable housing market on the Eastern seaboard.

As I said earlier this is just the first instalment. I will make further announcements on measures to tackle housing affordability and reforms to the planning process by the middle of the year.

CONCLUSION

Melbourne is one of the world's great suburban cities. And Victoria is the best part of the best place in the world.

But our circumstances are changing.

We are growing older. We are growing in number. And we are heading into a climate change future.

We are in a strong position. We are leading the nation in most economic indicators. We are one of the world's safest and most liveable cities. Our suburbs are as diverse and dynamic as the people who populate them. And we are taking decisive action to protect Victoria's productivity, sustainability, liveability and affordability.

The planning reforms I have foreshadowed today will accelerate the development of 90,000 blocks of land – and ensure the dream of owning a home is more affordable for more families.

The future statements I have foreshadowed in preventative health; housing; climate change; innovation, jobs and skills; farming; and social inclusion will ensure Victoria is prepared for its future challenges.

We will be ready for 2020.