

Deloitte Access Economics

Fishermans Bend Economic and Transport Policy – Positioning Statement

Metropolitan Planning Authority

November 2015

Contents

Executive Summary.....	i
1 Background to the precinct	1
2 Development of an economic vision.....	4
3 Recast of the 2014 plan.....	6
4 Benefits of a prosperous Fishermans Bend.....	9
5 The importance of public and active transport	12
6 Key points and next steps.....	16
References.....	18
Limitation of our work	20

Figures

Figure 1.1 : Fishermans Bend urban renewal site	2
---	---

Executive Summary

The size and location of the Fishermans Bend precinct offers a unique urban renewal opportunity for Melbourne that few other large metropolitan areas in the world have so close to their Central Business Districts.

However, to realise the potential of this opportunity, a clear and consistent economic vision for the site is needed. A clear economic vision is particularly important for Fishermans Bend because it comprises many parcels of private land, and hence coordinated private investment is critical to the precinct's success. At the same time, flexibility over how the precinct develops over the next forty years will need to be maintained.

We were asked by the Metropolitan Planning Authority (MPA) to provide a summary document which brings together the history and status of the precinct and its evolving economic vision. This report reviews the work undertaken to date, and consolidates a consistent narrative about the economic opportunity of Fishermans Bend. While written independently of each other over roughly the same period, the policy implications and next steps identified in this document are similar to themes identified by the Fishermans Bend Advisory Committee (FBAC) in its October 2015 report. This suggests a growing consensus about the policies the MPA needs to pursue to achieve developmental outcomes for Melbourne at Fishermans Bend.

A consistent economic vision will help the MPA build a sense of certainty for investors (public and private) about the economic role and function of Fishermans Bend. While there is a suite of conditions that will help build this sense of certainty, this work notes in particular the important role public transport provision plays in this and will be addressed through the following themes:

1. Background to the precinct
2. Progress so far on developing a vision - what was the vision, and why has this been revisited
3. The current status – where there is agreement and disagreement over the economic vision for the precinct
4. The potential benefits of the precinct to Melbourne and Victoria
5. The role of public transport in a prosperous Fishermans bend
6. Key points and next steps

A draft vision for the precinct was outlined in 2013, with a related Strategic Framework Plan released in 2014. With the recast plan yet to be finalised, a consistent vision for Fishermans Bend is yet to be articulated. In developing the vision, it is important to get the balance right between development certainty and being over-prescriptive, and closing off future flexibility and options. As the vision is to accommodate growth in Melbourne out to 2051, there is a risk attached to the population and employment projections for the site. The needs and demands of the population cannot be known with certainty over such a long time-horizon, and an overly prescriptive vision can limit investor flexibility in meeting those needs. Conversely, a vision that lacks certainty (for example, by not

detailing public transport routes) will make planning for the private sector more complicated, and is likely to put private sector investment at risk.

Public transport and active transport are both critical to ensure that Fishermans Bend will be connected with neighbouring places, spaces and facilities. These connections will enhance the productivity of the site, by enabling jobs based in Fishermans Bend to be easily accessible. This will improve opportunities for knowledge transfers from similar firms in the CBD to Fishermans Bend. Further, ease of access into and within Fishermans Bend will promote employment opportunities within the area, helping to expand its existing manufacturing and logistics industries. Although the physical infrastructure can be delayed until required levels of demand on the site exist, a plan that defines and commits to building such infrastructure is needed. Until this occurs, the process for successful redevelopment risks being stalled.

An important element of the vision that needs to be emphasised is the immense potential for the site to accommodate a large part of Melbourne's population and economic growth. This is not to suggest that the site doesn't pose challenges – all redevelopment sites inevitably do – but the capacity of the site to cater for this growth is a benefit to all of Melbourne and Victoria, not just the expanded Inner City area. In particular, the size of Fishermans Bend allows it to absorb a large share of Melbourne's projected growth, in an area that offers cost effective service provision and amenity potential that most other development sites do not have. Without development of Fishermans Bend, a greater proportion of Melbourne's growth will fall onto fringe greenfield sites or other established areas, which lack the capacity to cater for a significant population increase.

1 Background to the precinct

A brief history

The area today known as Fishermans Bend was inhabited by indigenous Australians beginning 5-10,000 years ago, with white settlement in the area commencing in the 1830s (Biosis, 2013). Aided by the introduction of railway connections to the area, Fishermans Bend thrived by the early 1900s, and by the 1930s, it had established itself as a key industrial centre, with most residential land converted to industrial use (Places Victoria, 2013a). The opening of the nearby Webb dock in 1959 cemented Fishermans Bend's status as an inner Melbourne industrial hub (Places Victoria, 2013a).

From the 1980s onward, much of formerly industrial land in inner Melbourne (including parts of Fishermans Bend) has slowly migrated away from strictly industrial uses, and back towards mixed use of land. The introduction of the 'Postcode 3000' policy in 1992 (which encouraged residential land use close to the city), continued this trend of increasing high density residential living close to Melbourne's CBD (Places Victoria, 2013a).

Overview of the site

The Fishermans Bend Urban Renewal Area (FBURA) comprises five smaller precincts – Montague, Wirraway, Sandridge within the city of Port Phillip, and the Lorimer and employment precinct within the City of Melbourne.

The area has several comparative advantages which make the site an attractive urban renewal area, as follows:

- The combined area is 455 hectares – by way of comparison, the CBD's Hoddle grid is only 210 hectares (Metropolitan Planning Authority, 2014). Fishermans Bend therefore represents the largest inner urban renewal area in Melbourne; much larger than Melbourne's other two inner urban redevelopment sites post Docklands, being Arden and E-gate (MPA, 2015b).
- The site already contains a well-recognised manufacturing and logistics hub, and plays host to a large number of advanced business services establishments (SGS, 2013).
- The area is exceptionally well located for private vehicle and freight access, situated close to both Webb Dock and the CBD, and between two freeways that link to metropolitan areas, regional areas and the Melbourne Airport (SGS, 2013). However, as noted below, at present it is constrained by the limited number of active and public transport connections with the city.
- Access to and from Melbourne's South Eastern suburbs is presently, expanding the pool of skilled labour that may wish to work in the area. It is also close to other high amenity areas such as South Melbourne and Docklands.
- The area is located near the waterfront, making it an attractive prospect for inner-city living and working.

- The site currently enjoys an existing adequate street network, allowing ease of access and mobility for residents and workers with access to a car.

There are large, flexible landholdings available. Figure 1.1 outlines the location of each of the precincts, and the nearby landmarks.

Figure 1.1: Fishermans Bend urban renewal site



Source: Department of Land, Water, Environment and Planning (2015)

However, the site is not without its challenges:

- The land is mainly privately owned, limiting the ability of government to shape change and develop the site consistent with its vision (MPA, 2015).
- The land has also been heavily used by chemical industries, raising fears some of the land has been contaminated (FBAC, 2015).
- Poor accessibility to the area, other than through the road network (Places Victoria, 2013c), including poor active transport (cycling and walking) connections into and around the area.
- There is currently poor public transport to the area (except the Montague precinct), limiting its ability to connect effectively with the core Melbourne CBD.
- There are challenges in relation to geotechnical conditions and the area is made up of low-lying land, and is at risk of flooding in some areas.
- Finally, in relation to governance of the redevelopment, the area falls between two councils, complicating the coordinated governance and planning of the site (FBAC, 2015).

Melbourne’s growth challenge

The potential benefits associated with the precinct extends beyond just inner Melbourne, reaching all of Melbourne and Victoria overall. Melbourne’s population is projected to increase by 1.8 million people by 2031, and 3.7 million by 2051 (MPA 2015b). Such significant population growth is likely to

pose challenges and, if the growth is not planned and coordinated, may threaten Melbourne's renowned liveability and economic prosperity. As such, the planned renewal and continued densification of inner Melbourne, such as through the urban renewal of sites like Fishermans Bend, has an important role to play in absorbing some of this growth, allowing Melbourne to prosper from growth, rather than be harmed by it.

2 Development of an economic vision

The potential of Fishermans Bend as an urban renewal site has been recognised for some time. But it was not until July 2012 that this was formally acted upon, when the then Minister for Planning announced a new vision for the Fishermans Bend precinct, at the same time rezoning the areas of Montague, Sandridge, Lorimer and Wirraway to Capital City Zone.

Following the rezoning, a series of papers were released on the draft vision for Fishermans Bend, culminating in the release of the Places Victoria Fishermans Bend final report, which outlined a vision to develop Fishermans Bend (Places Victoria, 2013b). Central to this draft vision were ten key features making up the strategic directions for the site, and ten ‘key moves,’ which identify the critical spatial and physical elements of achieving the vision.

Broadly, the vision outlined in 2013 (hereafter referred to as the ‘2013 draft vision’), consisted of developing four precincts (Montague, Lorimer, Wirraway and Sandridge), which collectively were seen as an opportunity to expand Melbourne’s CBD further west. In doing so, it was envisaged this would assist Melbourne cater for its growing population, while simultaneously boosting Melbourne’s economic growth and productivity (Places Victoria, 2013a).

The ten key features of the 2013 vision are described below (Places Victoria, 2013b):

1. The creation of 21st century jobs – the local economy will be enhanced by the provision of high productivity employment opportunities expected to develop in Fishermans Bend, due to its valuable strategic location between the port and the CBD.
2. The timely provision of infrastructure – funding would be provided to deliver important infrastructure (such as schools, open spaces and public transport). Public Transport would connect the precinct to nearby neighbourhoods, including the CBD. This would allow the CBD to expand south and continue to provide high-skilled job opportunities, which are accessible to everyone. Schools and open spaces enhance the liveability of the area, increasing its attractiveness to ensure demand for residential housing on the site exists.
3. A place that is easy to get around – the development of walking paths, cycling tracks, and public transport will ensure ease of travelling within the precinct, further enhancing the site’s liveability. The precinct was also to be integrated with CBD, so it is easy to commute to and from the city core.
4. A vibrant mix of uses and activities – the precinct will ensure a mix of employment generation, housing choice and community facilities. In doing so, this will enhance community cohesion, by guaranteeing a sense of place among those who live and work in the area.
5. Distinctive and diverse neighbourhoods – Fishermans Bend has a unique public realm, that helps foster a sense of place.
6. A great place for families – the expectation was that Fishermans Bend would cater for diverse communities. This will ensure the area is well equipped to cater for Melbourne’s population growth, as housing is available for families of all size and age.
7. A high quality built environment– the precinct was intended be designed in such a way to promote environmentally sustainable living.

8. Smart environment solutions – the infrastructure to develop water, energy, and dispose of waste, was to be environmentally sustainable.
9. Environmental constraints addressed – this is particularly important in Fishermans Bend due to the contamination of industrial land from previous work in the region. The plan highlighted the need identify and repair contaminated land, to ensure maximum productivity of the land and there are no health or safety risks to future developments.
10. Strong partnerships and effective governance – development approval will promote best practice design and construction methods.

The draft vision also specified the necessary actions, detailed as the ‘ten key moves’ required to achieve the vision as outlined above (Places Victoria, 2013a). These actions are:

1. Grow around the Yarra River, including pedestrian and cycle pathways.
2. Create a link between the CBD and Port Phillip Bay through Fishermans Bend (by, among other things, extending Collins street tram services).
3. Integrate Fishermans Bend with rail network, by adding in two proposed stations.
4. Additional public transport routes to connect to the city (starting with additional bus routes, the adding in new light rail, and finally, a heavy rail line).
5. Extend Melbourne CBD parks through Fishermans Bend, to Port Phillip Bay.
6. Develop boulevards for walking and cycling.
7. Network of parks and open spaces.
8. Create a walkable cycle-friendly place. In other words, within the precinct, ensure there are vast opportunities for walking and cycling.
9. Create centres for local communities, to create a sense of place and belonging.
10. Create distinctive and diverse neighbourhoods.

Both the vision, and the suggested ‘next steps’, were generally well received at the time the draft report was released. The City of Melbourne, in response to the draft Vision, was “generally supportive of the Draft Vision” (City of Melbourne, 2013).

However, the specific decision to rezone the precinct prematurely was not without its critics – University of Melbourne’s Dr Kate Shaw (2012) describing that as “a most unfortunate planning decision for Melbourne.”

3 Recast of the 2014 plan

While criticism of the decision to rezone Fishermans Bend arose in 2012, the broader vision was not challenged in the same way.

However, following the release of a Strategic Framework Plan in August 2014 (henceforth referred to as the 2014 plan), critique of the direction of Fishermans Bend emerged. Criticism appeared to stem, at least in part, from unease generated by the immense property price inflation following the rezoning of Fishermans Bend, as well as the number of high-rise development proposals supported by the former government. It was feared that these high-rise developments may be incompatible with other features of the plan, particularly the aim of creating vibrant and environmentally sustainable communities, with new planning minister Richard Wynne referring to area as becoming:

“a soulless skyline with no services.” (Victoria Government, 2015b)

In particular, concerns emerged about the height and density of buildings, the absence of open spaces and the process undertaken, particularly in relation to the premature rezoning and the lack of local consultation (Victoria Government, 2015b). This chapter outlines the perceived issues with the 2014 plan, and the resulting ‘recast’ that outlined changes to maximise the potential of Fishermans Bend.

Perceived weaknesses with the 2014 plan

Since the release of the 2014 plan, there have been several concerns raised in relation to (1) the process undertaken up to the release of the 2014 plan (including the 2012 rezoning), and (2) the government’s ability to execute the final vision. To address these concerns, the Fishermans Bend Advisory Committee was formed in July 2015, to provide advice to the Minister for Planning on redevelopment within Fishermans Bend. The Committee has recently released its first report, containing a list of key issues and concerns identified with the 2014 plan (FBAC, 2015). Concerns with the 2014 plan include:

- There is still significant housing capacity in the Docklands and other inner-city areas, rendering the Fishermans Bend rezoning as premature (FBAC, 2015). The rezoning has caused a significant increase in prices, limiting opportunities for future commercial development (Red and Black Architecture, 2015).
- All four of the precincts were rezoned as Capital City Zone, which facilitates the expansion of residential developments. However, there remains the need for commercial development to support the expansion of the core CBD area (Red and Black Architecture, 2015).
- Minimal effort was made to engage with the wider Melbourne and Victorian community, to ensure the Fishermans Bend redevelopment reflected community needs (FBAC, 2015).
- Height limits were introduced as discretionary or preferred, rather than mandatory (Department of Environment, Land, Water and Planning, 2015). There are concerns these height controls over new developments may have negative consequences for population density, liveability of the area, the quantum of infrastructure needed and the environment.

Concerns about a successful Fishermans Bend being realised lie in the fact that private developers own the land and can develop it according to their own interests, which may be inconsistent with the

broader vision. This was highlighted in the Business Case undertaken by Places Victoria (2013c), which articulated three barriers to a successful redevelopment:

- Market led renewal at Fishermans Bend will not optimise the density and diversity of dwellings, reducing the prospect of productive, liveable mixed use communities, and the provision of affordable housing.
- The market's focus on highest and best value land use is biased toward residential use, which will limit the availability of commercial office space and compromise Melbourne's future strategic advantage and global economic competitiveness.
- An inability to optimise outcomes for the common good will result in foregone opportunities for sustainability and infrastructure cost savings.

Further issues pertaining to the 2014 plan have been articulated in the FBAC (2015) report:

- Little work has been done to explore the transport options to connect the precinct to wider Melbourne.
- Planning to date has not given adequate attention to the complexity of the contamination and geotechnical issues evident in the area. Land is generally agreed to be of poor quality, and FBAC was of the view that the attention paid to the interrelationship between land contamination and the commercial viability of redevelopment of the area has been inadequate.
- Insufficient planning has gone into the investment in adequate open spaces, public realms (such as publicly accessible parks and community meeting places), and activation (public events and activities taking place in the area).

While acknowledging effort was made to address these issues as part of the 2014 plan, the Committee felt these attempts were inadequate to provide sufficient guidance to achieve the government's objectives. In this way, the 2014 plan was seen to lack depth and detail.

Suggested changes to the vision

In response to fears relating to the nature of redevelopment undertaken since the rezoning in 2012 (in particular the height of the approved developments), the Department of Environment, Land, Water and Planning (DELWP) released a Fishermans Bend fact sheet in April 2015, highlighting the need to recast planning for Fishermans Bend. The Department maintained the broad vision released in 2013, but instituted changes aimed at ensuring the redevelopment followed a more comprehensive and robust process going forward (Department of Environment, Land, Water and Planning, 2015). This was also the catalyst behind the formation of the Fishermans Bend Advisory Committee (FBAC). The full list of changes suggested by DELWP is described below:

- Expanding the urban renewal area to include a new jobs-creating Employment Precinct in addition to the other distinct neighbourhoods. Under this proposal the total size of the renewal area will increase by 205 hectares, to be 455 hectares in total.
- The community will be involved across all stages of the planning process with multiple opportunities to engage and provide input.
- A Ministerial Advisory Committee was established, with independent experts and community representatives to provide detailed advice.
- Ensuring consistency with other areas in the Capital City zone by making the Minister for Planning the decision-maker on developments 25,000 square metres and above in the Melbourne Planning Scheme, as well as for developments that achieve identified thresholds in the Port Phillip Planning Scheme.

- Replacing discretionary and preferred height limits with interim mandatory height limits in the neighbourhood precincts.
- A role for councils in developing neighbourhood plans
- The creation of a taskforce led by the Metropolitan Planning Authority to drive the development of detailed plans for each precinct and an overarching infrastructure plan that will include transport planning and community services, in collaboration with the councils of Melbourne and Port Phillip, key stakeholders and the community
- Undertaking a range of actions over 18 months to deliver consistent and considered engagement, strategic planning and finalisation of controls and governance for Fishermans Bend.

In general, these recommendations do not represent a total abandonment of the 2014 plan. Rather they represent a refinement, an increase into the area to which the vision applies, some additional detail and a more prescriptive consultative process. Box 1 below outlines the corresponding precinct-specific vision statements.

Box 1: Outline of a new vision

As mentioned above, the changes to the 2014 plan, did not make any adjustments to the overarching vision, although a key change has been the addition of a new precinct to which the vision applies. Details have been released outlining the vision for each precinct, but these are still subject to final planning for each precinct. The vision for each precinct, as at April 2015, is outlined below (MPA, 2015c):

Montague:

Montague will be a high-density office and residential precinct, and an extension of South Bank and the City.

Lorimer:

Lorimer is a high-density residential precinct and an extension of Docklands.

Sandridge:

Sandridge will be a mixed-use area of medium-density residential and commercial activities.

Wirraway:

Wirraway will be a lower-rise residential extension of Port Melbourne.

Employment precinct:

Fishermans Bend Employment Precinct will be developed to attract new jobs and commercial/industrial premises.

4 Benefits of a prosperous Fishermans Bend

Stepping back from the detail of the 2013 vision and the 2015 recast, it is important to not lose sight of the potential for Fishermans Bend to deliver great benefits to the expanded Central City area, and to Melbourne overall. This chapter discusses the benefits associated with a prosperous Fishermans Bend, and what is at stake should the redevelopment fail to deliver on its potential. It starts with benefits to Melbourne overall, before focussing on benefits to the expanded Central City area and finally benefits to the precinct itself. Note that while each precinct may not present opportunities for every benefit to be enjoyed, the redevelopment of Fishermans Bend is likely to be most successful if all precincts are developed harmoniously. Therefore, the benefits described below are not considered to be unique to one or two precincts, but are applicable to the site as a whole as a result of a strong and balanced development of all five precincts.

Benefit 1 – absorb future growth

Due to its size, Fishermans Bend is well placed to alleviate a sizable component of Melbourne's growth challenge, as noted in Chapter one. The benefits of this, versus alternative growth scenarios, are to Melbourne and Victoria overall.

If developed appropriately, Fishermans Bend will allow for relatively high density living, enhancing the area's ability to absorb population growth (MPA 2015c) and helping to reduce pressures on housing affordability. In addition, if planned commensurate with community demands, this will also allow for sufficient new commercial office space, providing employment opportunities and maintaining Melbourne's ability to provide affordable office space.

A combination of housing development in growth areas and established areas is required to ensure Melbourne successfully absorbs its projected population growth. It is important this mix is done right though – and Fishermans Bend, as the largest redevelopment opportunity currently available, should be expected to inherit a large share of the population increase. This benefit of Fishermans Bend absorbing a relatively large share of Melbourne's future growth becomes clear when considering other growth scenarios. Because of the lack of equivalently large inner city sites, especially once Arden and E-Gate are developed, the counterfactual to a Fishermans Bend redevelopment is for housing needs to be met through increased development of Melbourne's outer regions, which would not necessarily have the same clustering benefits of redevelopment in Fishermans Bend (see below)., Alternatively, high rise developments may need to be developed in established areas which are likely to be further from the city core, placing pressure on road and public transport networks, or in smaller areas, reducing liveability and straining public amenities. It is likely that neither of these alternative scenarios are in the best interests of Melbourne and Victoria overall. In short, and despite the debate over the planning process and vision, a well-managed Fishermans Bend can meet a lot of Victoria's broader policy objectives.

Benefit 2 – expansion of the central city

The potential benefits of Fishermans Bend also relate to its proximity to the CBD. The Fishermans Bend expansion can help to ease pressure off the Hoddle Grid, by providing employment opportunities to complement existing services in the CBD (MPA, 2015b).

“We need to build on the inner city’s competitive advantages, including land and infrastructure (plentiful office and mixed use development opportunities)” (MPA, 2015b)

Fishermans Bend will allow the city core to maintain many of the features which have allowed it to thrive, by adding to the supply of affordable commercial floor space, while also providing high commercial and residential amenities. The development of sites further from the CBD is unlikely to be able to provide such a natural expansion to the Central City of Melbourne. The development of Fishermans Bend is therefore likely to provide more employment opportunities than developing sites less accessible from the CBD. Further, a thriving CBD is at the heart of the economic prosperity of any modern metropolitan area, so the potential role of Fishermans Bend as part of an expanded Central City of Melbourne is a benefit to all of Melbourne.

Benefit 3 – clustering

There are also benefits intrinsic to the site itself. Due to its size, Fishermans Bend offers industries potential benefits of economies of scale, and will enable businesses to establish themselves in clusters (Places Victoria, 2013c). Some of this already occurs with the manufacturing activities on the site. There is an associated benefit with industries being located close together; such a set-up is linked with knowledge transfers between firms, high levels of innovation and enhanced productivity (Places Victoria, 2013c).

“Fishermans Bend could become a densely populated centre of agglomeration for culturally diverse small and medium enterprise; an inner urban Silicon Valley for Melbourne, cultivating high-tech and start-up businesses with international connectivity, capacity to service a growing Asian market, and the ability to drive exports and investments around the world.” (Places Victoria, 2013c)

The benefit of clustering for advanced manufacturing (which already exists within Fishermans Bend) is well-established. The redevelopment of Fishermans Bend will take advantage of existing industries, allowing for employment opportunities to grow relatively faster than if the site was less developed. Recent work by Deloitte for the Department of Premier and Cabinet (2015) suggests significant potential for the development of Fishermans Bend as an advanced manufacturing hub over the medium and longer term. Such a clustering of high productivity industries has the potential to be a major driver of Victoria’s future economic growth.

A well-designed expansion should increase the productivity and economic capacity of the city centre by providing networking opportunities that would otherwise be unavailable.

Benefit 4 – cost-effective expansion

Expansion of Fishermans Bend should also prove cost-effective, as there is no need to ‘start from scratch’ due to a pre-existing manufacturing and logistics base within Fishermans Bend (SGS, 2013). Other development sites do not have this advantage.

Fishermans Bend's proximity to the CBD has already facilitated the emergence of a 'creative industries' sector in Montague (MPA, 2015b), as well as an automotive and aerospace industry cluster within the employment precinct (SGS, 2013). There are opportunities to increase the presence of some of these sectors and their role in the economy, with high-value added products requiring high-skilled labour (SGS, 2013).

Some of this cost effectiveness will represent a gain to the Victorian budget. Because of the site's existing activity and comparative advantages, state investment in infrastructure and services will be less at Fishermans Bend, per dollar of overall economic activity generated, than the equivalent investment in other areas. In Chapter 5, we discuss the role of one particular type of Government investment in the site – public transport.

Benefit 5 – growth that has liveability and workability potential

A further benefit is that, for those living or working on the site, it offers liveability and workability potential that many other sites cannot offer. The existing employment base increases the future potential employment opportunities, while the area already contains many of the factors of liveability important to Melbourne, most of which are unique to Fishermans Bend. For example, the area is bounded by Yarra River and Port Phillip Bay (offering access to an attractive waterfront location for residencies), while Westgate Park lies within the employment precinct. There are numerous additional amenity opportunities, such as open spaces, wide roads with walkways, considered as part of both the 2013 vision and the 2015 recast. The area is connected to established neighbourhoods, such as South Melbourne and Port Melbourne, and is proximate to the CBD, heightening liveability and workability, especially given the intended good walking and cycling connectivity. However, at present, the area faces transport capacity constraints, with limited connections and poor walking and cycling connectivity. Road links (other than for Montague) are limited in number and are highly congested by business and commuting vehicle traffic, making active transport an undesirable option into the area at present.

Benefit 6 – economic footprint of developing Fishermans Bend

All of the previously mentioned benefits are opportunities *unique* to Fishermans Bend. However, a more obvious and final benefit is simply the stimulus from the economic activity that the site will host, both during and post-redevelopment. This benefit is common to any redevelopment or development activity wherever it occurs, so alone is not a reason to develop Fishermans Bend. But it is an important element of an overall value proposition for the State, particularly in the case that additional stimulus becomes a high priority for government, as it often is during times of muted economic growth.

5 The importance of public and active transport

Two particular types of infrastructure critical to Fishermans Bend delivering on its potential are public transport and active transport (walking and cycling). Public transport will play a critical role in the Fishermans Bend redevelopment, as the area currently suffers from poor accessibility (Places Victoria, 2013c). As at November 2015, there are limited bus routes to Fishermans Bend, two light rail routes through Montague and no heavy rail line. Both the 2014 plan and the 2015 recast agree that existing public transport infrastructure at Fishermans Bend is inadequate.

This chapter summarises why efficient and direct public and active transport matters to Fishermans Bend, and what an effective roll-out transport plan might look like.

Why does Public transport matter?

Fishermans Bend is close to the city – but proximity does not necessarily result in accessibility. To be a true expansion of the central city, and to truly reap the benefits of clustering highlighted above, Fishermans Bend needs to be properly connected to the city core. The importance of connecting Fishermans Bend to the city core has been highlighted by SGS (2015b):

“Both high capacity and frequency public transport as well as active transport is critical in ensuring Fishermans Bend is not simply a dormitory residential suburb tacked on to the edge of the great economic mass of the Central City, but instead a true extension of the city, adding to its economic capacity and further strengthening the agglomeration economies at work.”

Public transport is particularly important given the planned medium-high density living in the Fishermans Bend urban renewal, densities that cannot be supported by the road network alone.

But density also provides an economic upside to public transport, because high density areas are generally more cost-effective to supply, as little infrastructure can provide transport for a large volume of people. In the case of Fishermans Bend, it is likely that a large number of patrons can be supported by relatively low level of infrastructure in terms of kilometres of track or rail.

Further, as most of the land is privately owned, public transport is one of the few levers available to government to ensure the redevelopment follows the State’s vision, and is not diverted by private interests. Indeed one of the best ways to increase confidence and secure private investment for further development in the area is for the government to commit to a clearly defined public transport regime.

Why does active transport matter?

Active transport such as cycling or walking is playing an increasingly important role in urban development. It is of particular value to Fishermans Bend given the site’s proximity to the CBD. Well situated cycle paths and walkways can link the area to the CBD, providing easy access to Melbourne’s

city core. This is beneficial to both residents, by making it easier to access the CBD using direct links, and for businesses as they are able to better connect with similar businesses located in the CBD.

When used as an alternative to other transport modes, active transport will provide alternative capacity to private vehicles and as such would ease congestion on the roads, facilitate smooth links between public transport modes, and reduce the overall burden on the public transport system. It is also an effective way to reduce the environmental impact of the redevelopment of Fishermans Bend. As noted by Litman (2015), the prioritisation and design of active transport initiatives can achieve transport planning objectives such as reduced traffic and parking congestion, energy consumption and pollution emissions, and help to create more compact “smart growth” development.

A high quality active transport network also enhances the amenity of the area and improves the liveability of Fishermans Bend. Pedestrian environments and urban public spaces within Fishermans Bend will be critical to the creation of an urban environment that caters to the residential and lifestyle demand of workers expected to live in the Fishermans Bend precinct. In addition, as the most common form of physical exercise is walking (Litman, 2015), it will encourage exercise and physical activity, therefore improving public health outcomes, increasing quality of life and reducing health care costs.

‘Active transport’ examples from other jurisdictions

Examples from Australia and around the world demonstrate the potential benefits from successfully designed active transport initiatives.

- A Queensland study found that an average round-trip urban bicycle commute provides \$14.30 in economic benefits and a pedestrian commuter provides \$8.48 worth of benefits, made up of direct health benefits, road decongestion, vehicle operating cost savings, infrastructure and environmental savings (SKM and PwC 2011).
- In Portland, Oregon (USA), analysis of public cycling investments has shown significant healthcare benefits, reduced deaths, and fuel savings, with benefit-cost ratios in the range of 1.3 to 3.9 (Gotschi 2011) for well-designed initiatives.
- In Vancouver (Canada), people living in the top 25 per cent of “walkable” neighbourhoods will walk, bike and take public transport 2-3 times more often, and drive approximately 50 per cent less, than people living in more car-oriented neighbourhoods (Frank, et al. 2010).

Importance of staging and long term protection for transport options

A public transport plan that will deliver confidence to the private sector needs to define the investment to be provided, and identify a schedule, or ordering of investment. This staging should deliver transport needs (both to and from the area and within the area) to meet the growing needs of the area, as the population and employment opportunities expand. The Docklands represent a good example of the high cost of retrofitting public transport once the area has commenced redevelopment, and should serve as a lesson to commit to public transport early on during the Fishermans Bend redevelopment.

A reasonable sequence upon which to deliver critical public transport infrastructure to Fishermans Bend would be: (1) upgrading and adding new bus services, as buses use the existing road network and are therefore the most cost effective in the short-term (noting that the broader congestion

impacts of buses would need to be considered); (2) upgrade existing light rail routes and connecting new light rail routes, as light rail is a cheaper alternative than heavy rail, and finally (3) consider heavy rail through the area as it can be the most effective method to transport a large volume of people.

We note that to date a formal economic evaluation of these transport options into and within Fishermans Bend has not been undertaken. Previous efforts (e.g. SGS 2015), which have usefully developed a range of useful metrics around effective job densities and travel times for active transport, have not assessed benefits against a specified “business as usual” base case.

Planning for public and active transport at Fishermans Bend needs to demonstrate several things in the near term. First, as discussed above, it needs to provide a signal that government is committed to Fishermans Bend’s development as a vibrant residential and employment hub. While the actual infrastructure need not be delivered until the required level of demand exists, a plan committing to the development of transport on the site is vital. The certainty afforded by defined public transport routes is likely to buoy private confidence and facilitate continued investment in the area.

To give effect to this commitment and provide the private sector with the confidence it needs to invest for the long term in the area, government needs to be able to demonstrate that it has considered and is able to add scale to the initial public and active transport investment relatively quickly. This objective suggests the value in adopting a ‘real options’ approach to guide the transport policy development and investment choices at Fishermans Bend. In short, ‘real options’ is a decision making tool that assists with infrastructure selection, prioritisation and optimisation. By exploiting the flexibility inherent in decisions, it seeks to help avoid 1) regret associated with unnecessary over-investment and 2) uncaptured upside by under or mistimed investments.

A properly developed real options framework for planning transport connections within and to Fishermans Bend would examine in greater detail the range of population scenarios for Melbourne. It would look at how the timing of public and active transport investments interacts with Melbourne’s land use options and overall growth trajectory, in connection with initial estimates of the cost of adding transport capacity.

Development at Fishermans Bend needs to be assessed in the context of the range of other inner-city development opportunities (primarily E-Gate and Arden) and scenarios for Melbourne’s future population growth. For example:

- If Melbourne’s population growth overshoots its projections then how is Fishermans Bend impacted, and – most importantly – when are additional transport links needed?
- What level of population growth would provide urgency to the need to scale up public transport into the area?
- Similarly, what CBD office space constraints exist and how do these interact with Victorian business growth prospects? At what point are increasing office rental costs a material constraint on business activity growth in the CBD?

This analysis should seek to uncover ‘trigger points’ for investment, which could be announced publicly to demonstrate commitment to Fishermans Bend’s development. Importantly, it would suggest that a plan needs to maintain flexibility in precinct design and function for as long as

possible, especially as long as uncertainty exists over variables such as population growth, future demand for commercial office space and future directions for the advanced manufacturing industry.

6 Key points and next steps

Key points

The Fishermans Bend Urban Development Area is of key importance in allowing the city of Melbourne to expand and cater for growing housing and employment needs. If developed well, and if sufficiently connected to the city centre, the area should enhance productivity and the economic capacity, by facilitating the agglomeration of similar industries.

The draft vision for the precinct was outlined in 2013. However, it is clear that elements of the vision were going to make difficult to deliver the 2014 plan. For example, a lack of height controls on residential developments negatively affected confidence in the government achieving all its objectives, such as environmental sustainability and a place for vibrant community living. A good vision needs a set of objectives that are achievable together.

Broadly, the vision for Fishermans Bend is to create opportunities for people of all ages to live closer to jobs, services, public spaces and transport connections. It is intended that Fishermans Bend will create high productivity, 21st century jobs, to assist in maintaining Melbourne's global competitiveness, while also providing a family-friendly living environment.

Next steps

A consistent vision for Fishermans Bend is yet to be articulated. Until this occurs, the redevelopment risks being stalled, especially as private sector confidence is likely to wane without an articulated vision. The immediate priority is thus to ensure that the vision is articulated but that it enables the broader community to enjoy the benefits of a prosperous Fishermans Bend.

In developing the vision, it is important to get the balance right between development certainty and being over-prescriptive. While it is important to provide investors with certainty (indeed, this has been an ongoing success with the planning of the Hoddle grid), there is a lot of uncertainty about what Melbourne's needs will be for 30 and 50 years from now. As suggested in Chapter 5, a clearly set out real options approach to planning Fishermans Bend's development, that sets out trigger points for future long term integrated investment, would greatly assist the planning for transport investments that are needed to facilitate development. For example, this work might explore:

- A range of population scenarios for Melbourne and the role that each of Melbourne's inner development sites (Arden, E-Gate, Fishermans Bend) can play in catering to a range of future population scenarios;
- A range of transport demand scenarios associated with each of the population scenarios;
- The likely impact of the Webb Dock expansion, including traffic flows in the area, business activity in the area and the area's urban amenity;
- A range of possible directions in advanced manufacturing, including demand changes, new technologies, changes in competing markets, and policy direction;

- The role of bus rapid transit in providing relatively low cost, flexible transport into Fishermans Bend over the short and medium term;
- The trigger points for active transport and light and heavy rail investments;
- The mechanisms by which development at Fishermans Bend would lead to agglomeration benefits, and the associated potential economic benefits; and
- The capital costs associated with urban development works and transport capacity.

An important element of the vision that needs to be emphasised is the immense potential for the site to accommodate a large part of Melbourne's population and economic growth. This is not to suggest that the site doesn't pose challenges – all redevelopment sites inevitably do – but the capacity of the site to cater for this growth is a benefit to all of Melbourne and Victoria, not just the Expanded Inner City area. Other sites, such as E-Gate and Arden, do not have anywhere near the capacity of Fishermans Bend.

Once the vision is articulated, the plan should be implemented. Of particular importance to the Fishermans Bend area is the commitment to efficient public and active transport, as this will foster investor confidence in the region. The adoption of a single plan, describing the role of public transport, as well as a commitment to undertake this investment will be a positive next step in ensuring the success of Fishermans Bend.

References

- Biosis (2013). Fishermans Bend Heritage Study. Report for Places Victoria. G Vines, Biosis Pty Ltd, http://www.mpa.vic.gov.au/wp-content/uploads/2015/03/Heritage-Study-Biosis_June-2013.pdf
- City of Melbourne (2013), City of Melbourne Comments On Fishermans Bend Urban Renewal Area Draft Vision and Interim Design Guidelines
- Deloitte, Fishermans Bend Employment Precinct – Driving Victorian Advanced Manufacturing, Discussion paper for Department of Premier and Cabinet, 11 November 2015
- Department of Environment, Land, Water and Planning (2015), FBURA Recast Fact Sheet
- Fishermans Bend Advisory Committee (FBAC) (2015), Report 1
- Frank, L., Devlin, A., Johnstone, S., van Loon, J. (2010), Neighbourhood design, Travel and Health in Metro Vancouver: Using a Walkability Index, Active Transportation Collaboratory, UBC, <http://tinyurl.com/mngovbj>
- Gotschi, T. (2011), “Costs and Benefits of Bicycling Investments in Portland, Oregon,” *Journal of Physical Activity and Health*, Vol. 8, Supplement 1, pp. S49-S58, <http://tinyurl.com/4qt4mxj>
- Litman, T. (2015), Evaluating Active Transport Benefits and Costs, Victorian Transport Policy Institute
- Metropolitan Planning Authority (MPA), (2014), Fishermans Bend Strategic Framework Plan
- Metropolitan Planning Authority (MPA), (2015b), Inner City Framework Report
- Metropolitan Planning Authority (MPA), (2015c), Fishermans Bend Strategic Framework Plan (amended version)
- Places Victoria (2013a), Fishermans Bend Urban Renewal Area, Draft Vision
- Places Victoria (2013b), Fishermans Bend Final report, Volume 1
- Places Victoria (2013c), Fishermans Bend Urban Renewal Area Preliminary Business Cases
- Public Transport Victoria (2012), Network Development Plan – Metropolitan Rail
- SGS economics and planning (2013), FBURA Economic and Employment Study
- SGS economics and planning (2015a), Improving Access to Fishermans Bend
- SGS economics and planning (2015b), Central City Narrative, Final report
- Shaw, K (2012), ‘The Ministry of Silly Plans’ *The Sydney Morning Herald*, 14 August 2012

SKM and PWC (2011), *Benefits Of Inclusion Of Active Transport In Infrastructure Projects*, Queensland Department of Transport and Main Roads (www.tmr.qld.gov.au); at www.cbdbug.org.au/wp-content/uploads/north-brisbane-cycleway/135-00825-file8.pdf.

Red and Black Architect, (2015), *The complexity of Fishermans Bend*, Interview with Rob McGauran

Victoria Government, (2015a), *Plan Melbourne Refresh*, Discussion Paper

Victoria Government (2015b), *A new plan for people, a new plan for jobs*, media release

Limitation of our work

General use restriction

This report is prepared solely for the internal use of [the Metropolitan Planning Authority]. This report is not intended to and should not be used or relied upon by anyone else and we accept no duty of care to any other person or entity. The report has been prepared for the purpose of [synthesizing the existing work on the Fishermans Bend Urban Renewal Area into a consistent narrative]. You should not refer to or use our name or the advice for any other purpose.

Contact us

Deloitte Access Economics
ACN: 149 633 116

Level 1
9 Sydney Avenue
Barton ACT 2600
PO Box 6334
Kingston ACT 2604 Australia

Tel: +61 2 6175 2000
Fax: +61 2 6175 2001

www.deloitteaccesseconomics.com.au

Deloitte Access Economics is Australia's pre-eminent economics advisory practice and a member of Deloitte's global economics group. For more information, please visit our website www.deloitteaccesseconomics.com.au

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and deep local expertise to help clients succeed wherever they operate. Deloitte's approximately 200,000 professionals are committed to becoming the standard of excellence.

About Deloitte Australia

In Australia, the member firm is the Australian partnership of Deloitte Touche Tohmatsu. As one of Australia's leading professional services firms, Deloitte Touche Tohmatsu and its affiliates provide audit, tax, consulting, and financial advisory services through approximately 6,000 people across the country. Focused on the creation of value and growth, and known as an employer of choice for innovative human resources programs, we are dedicated to helping our clients and our people excel. For more information, please visit our web site at www.deloitte.com.au.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

© 2015 Deloitte Access Economics Pty Ltd