IDC Report on Governance of Melbourne Docklands
1 Executive Summary

1.1 The Docklands and Adjacent Areas Interdepartmental Committee (IDC) has drawn on the guiding principles in its terms of reference and on the input of key stakeholders in recommending appropriate options to the State Government for the long-term local governance of the Docklands and adjacent areas.

1.2 The IDC’s charter was set in the context of the Bracks Government’s first term pre-election commitment to return the Docklands to democratically elected local government.

1.3 Subsequent proposals to the State Government by Port Phillip City Council and Maribyrnong City Council regarding municipal boundary realignments in the Docklands vicinity enlarged the scope of the IDC’s work to take in the Docklands, the adjacent Melbourne Port Corporation areas, the key market and rail precinct to the west of the central business district and the Fishermans Bend industrial precinct.

1.4 The IDC has considered the functions and development timelines originally set for the Docklands Authority, the rate of redevelopment of the Docklands precincts, and the assets and responsibilities of the Authority. It has also taken into account the importance of the port area to the State Government’s strategies for freight and economic growth, and the related importance of the Yarra River and Port of Melbourne waterways as tourism attractions.

1.5 The IDC focused on four main concerns:
- the evolving role and functions of the Docklands Authority
- issues related to local governance and municipal boundaries
- ensuring the best possible management of Melbourne’s port-interface areas and significant waterway system
- optimising the State Government’s long-term, capital city vision for Melbourne.

1.6 The IDC formed the opinion that the optimal outcome for the State, based on the principles set out in the IDC’s terms of reference, was that the Docklands Authority or its successor should in time become strictly a development facilitator and a manager of land sale processes. To achieve this, the currently legislated municipal responsibilities of the Docklands Authority should be returned to democratic local governance, while the negotiation and administration of developer agreements should remain with the Authority. In the short term, land-use planning responsibilities should remain with the Docklands Authority and the Minister for Planning.

1.7 The IDC is of the view that the option for governance that best accommodates the principles set by the Government is the restoration of the Docklands area and its municipal functions, with the exception of statutory planning responsibilities for the precinct, to the City of Melbourne. Special arrangements are needed to ensure that decision making is shared by key State Government bodies and Melbourne City Council with respect to place management of the Docklands waterways and waterfront.
Boundary Changes Proposed by the Port Phillip City Council and Maribyrnong City Council

1.8 On balance, the IDC believes that the perceived benefits to the Port Phillip and Maribyrnong municipalities, through the boundary changes they have proposed, fail to outweigh the major disbenefits identified by the IDC to the State’s Port of Melbourne and Docklands visions. These disbenefits are caused by potentially redistributing the governance of these areas among multiple municipalities.

1.9 The IDC considered the merits of addressing the issues identified and the benefits sought by Port Phillip City Council and Maribyrnong City Council through a scheme of apportioning the rate revenue payable by Melbourne Port Corporation, so that the respective councils could fund targeted ‘port mitigation’ activities.

1.10 The IDC has not recommended the approach outlined in 1.9 for the following reasons:
- It would set a precedent in relation to other State Government enterprises and local government.
- The revenue it would generate for the Cities of Port Phillip and Maribyrnong ($600,000 per annum to each) would be significantly less than what they would receive under their proposed boundary changes ($1.36 million and $1.5 million rate surpluses, respectively).
- The loss of $1.2 million per annum rate revenue would seriously affect the cash flow of the City of Melbourne.

1.11 The IDC sees the merits of an alternative approach under which the State Government would establish mechanisms to ensure coordinated management and planning by Maribyrnong City Council, Port Phillip City Council, Melbourne City Council and the State Government, of those areas where local stakeholder needs would best be addressed by an integrated approach.

Planning Responsibility for the Docklands Area

1.12 The IDC recognises that, in any development area, planning activity does not cease once initial development is achieved. The Docklands area is likely to be particularly dynamic, with redevelopment applications necessitating continuing need, at least for some time, for a strong and integrated approach to planning control.

1.13 The IDC is mindful of the rapid build-out of the various Docklands precincts and of the likely expectations for local democracy. However, the State Government’s need to maintain a strong role in the planning of the area, for the foreseeable future, is paramount.

1.14 The IDC is therefore of the view that the current planning arrangements for Docklands, with the Minister for Planning as the Responsible Authority and the Docklands Authority as the Referral Authority, would provide continuity and the surety that the State Government’s vision for Docklands, and its investment in the area, will be protected.
Place Management of Docklands Waterways and Waterfront

1.15 The IDC is of the view that the best outcome for Melbourne's significant waterways and, in particular, the place management and promotion of the Yarra River and related Docklands, port and waterfront system, would be planning and management oversight by a coordinating body representing a partnership of the interests and expertise of Melbourne City Council, the Docklands Authority, Parks Victoria and the State Government.

1.16 The IDC has identified that, from the year 2008, the revenue stream generated by rate-paying properties in the Docklands area should exceed the funds required for municipal services to Docklands, and for place management and promotional activities associated with Melbourne's waterfront and waterways. The IDC is therefore of the view that Melbourne City Council should have responsibility, through the proposed arrangements, for delivering these functions.

Next Steps

1.17 The IDC recommends that it be retained and recommissioned with terms of reference under which it would take responsibility for implementation of the Government’s decisions on the governance of the Docklands and adjacent areas. Implementation tasks would include:

- oversight of drafting of amending legislation for effecting the restoration of the Docklands area to local governance under the City of Melbourne
- oversight of drafting of amending legislation to give effect to the coordinating mechanism required for place management of the Docklands waterways and waterfront
- preparation of a deed of protocol/agreement between the State Government and City of Melbourne re the transfer of Docklands Authority municipal functions, including service standards, liabilities and assets
- preparation of a deed of protocol/agreement between the State Government (including the Docklands Authority and Parks Victoria) and the City of Melbourne, to establish a coordinating and planning body to oversee place management of the Docklands waterways and waterfront
- preparation of a formal agreement between the State Government, Port Phillip City Council and Melbourne City Council regarding mechanisms for the integrated planning and management of the Fishermans Bend industrial precinct
- preparation of a formal agreement between the State Government, Maribyrnong City Council and Melbourne City Council regarding mechanisms for the integrated planning and management of the ‘markets, rail and port’ precinct
- advice on the timing of restoration of Docklands to the City of Melbourne in the context of the completion of the above implementation tasks.
Recommendations

That the Docklands area and municipal functions, with the exception of statutory planning, be restored to the City of Melbourne.

That there be no boundary changes between the City of Maribyrnong, the City of Melbourne and the City of Port Phillip.

That mechanisms be established between the State Government, the City of Maribyrnong, the City of Melbourne and the City of Port Phillip for the integrated planning and management of the Fishermans Bend industrial precinct and the current docks, rail and market precinct.

That, until the State Government is satisfied that its interests in the Docklands area are secure, the current planning arrangements with the Minister for Planning as the Responsible Authority and the Docklands Authority as the Referral Authority, be retained until a time to be determined.

That a coordinating body consisting of the State Government, Parks Victoria, Melbourne City Council and the Docklands Authority, be established to oversee the planning and management of the Docklands waterways and waterfront.

That the IDC be retained to oversee the implementation of the Government’s decisions on the governance of the Docklands and adjacent areas.
2 Introduction

2.1 The development of the Docklands precinct is an imaginative enterprise that is critically linked to the State Government’s vision for Victoria and for Melbourne as a world-class city. The commitment by successive State Governments to the redevelopment of Melbourne's Docklands has created a unique challenge.

2.2 The excision of the Docklands precinct from the City of Melbourne, in order to quarantine its development from potential interference by local political and planning agendas, removed local democratic processes and representation from Docklands property owners and its growing residential and business population.

2.3 The Government’s call for a review of local governance arrangements for the Docklands occurs within the wider policy context of the Government’s Ports Agenda, Freight Strategy, and consideration of the future of the Docklands Authority.

2.4 The Cities of Port Phillip and Maribyrnong had each made unsolicited submissions to the Government, claiming that boundary realignments in the area would enhance overall local governance, service delivery and the economic development of their respective municipalities.

2.5 The Docklands and Adjacent Areas Interdepartmental Committee (IDC) was established in April 2002 to recommend options to the Government for implementing the Government’s commitment to return the Docklands precinct to the control of democratically elected local government.

3 Background

3.1 In 1991 the Docklands Authority was established to manage the long-term redevelopment of the Melbourne Docklands as a world-class residential, tourism and commercial inner-urban precinct. In 1998, the then State Government enacted legislation to separate the Docklands area from the City of Melbourne and to give the Docklands Authority municipal responsibilities for the area. This effectively excluded the Docklands’ growing number of ratepayers from democratically elected local government.

3.2 The municipal arrangements described in 3.1 were set for review in 2002.

3.3 The election policy platform of the present State Government included restoration of local government to those areas of Victoria where it had been removed by a previous State Government. The Shire of Melton has already been returned to a democratically elected Council.

3.4 Government’s consideration of restoration of local democracy to the Docklands has been linked to concern regarding Melbourne City Council's capability for governance. As that capability has been strengthened by the electoral reform of the Council during 2001–2 and the subsequent election of a committed and cohesive Council, that concern has been largely resolved.
4 The IDC Process

4.1 The IDC was requested to prepare advice for the Government on options for the long-term governance of the Docklands and adjacent areas, with reference to a number of principles identified by the Government in relation to its stated vision for Docklands, for the Capital City and for the Port of Melbourne.

4.2 The Government’s terms of reference (see Appendix I) provided the considerations and principles for guiding the IDC’s work and deliberations.

4.3 In order to gain a wide, representative and strategic perspective on governance for Docklands, the IDC sought to consult with key stakeholders. These included the Docklands Authority, the Melbourne Port Corporation, and the Cities of Maribyrnong, Melbourne and Port Phillip.

4.4 The IDC also sought the perspectives of Docklands developers and a range of utility companies and industries, chosen on the basis of their significant interests in the Docklands and adjacent areas. Rather than seeking to consult with every business, the IDC consulted a representative sample of property and industry interests (see Appendix 2).

4.5 The IDC received a small number of unsolicited letters from diverse businesses and associations, particularly from Port Melbourne and Fishermans Bend, which wished to be consulted on boundary changes and zoning for industry, and to be assured of investment certainty and Government acknowledgement of the value of integrated transport and freight arrangements for the area.

4.6 To gain the benefit of the experience of interstate entities with responsibility for similar, complex development that includes public space and waterfront, the IDC met with representatives of Canberra’s National Capital Authority and the Sydney Harbour Foreshore Authority.

4.7 The IDC obtained rating and revenue data, necessary for testing assumptions and modelling options, from the Cities of Maribyrnong, Melbourne and Port Phillip, the Docklands Authority, the Valuer General and the Melbourne Port Corporation.

4.8 For purposes of due diligence, and to assess any potential financial impact on the council or councils inheriting the Docklands precinct, the IDC commissioned an independent financial audit of the Docklands Authority’s municipal budget projections.

4.9 To augment the expertise represented on the IDC, information was obtained from the (then) Department of Infrastructure’s executive directors responsible for Planning and for Ports and Marine.
5 The Docklands Authority

5.1 The Docklands Authority was established under the Docklands Authority Act 1991 to ’promote, encourage and facilitate development of the Docklands area and to complete its involvement in that development by 31 December 2005’. It consists of a board appointed by the Governor in Council and is legally a body corporate. It is responsible for overseeing and coordinating the Docklands development, promoting and encouraging the private sector in that development, creating an attractive environment and promoting recreational and tourist activities. It has broad powers to acquire and dispose of land and enter into contracts. It can levy charges within its precincts and is a referral authority for the purposes of the Planning and Environment Act 1987.

5.2 In 1998 the Docklands Authority Act 1998 was amended to give the Authority the additional functions and responsibilities of a municipal council; however, while the Authority is required to keep a voters roll, it is not democratically elected.

5.3 The Urban Development Authority Bill of 2002 proposes a merger of the Docklands Authority with the Urban and Regional Land Corporation, anticipated to take effect in mid-2003.

5.4 This merger has no implications for either municipal services in Docklands or for the IDC’s deliberations.

5.5 The Authority currently contracts the City of Melbourne to provide a range of municipal services within Docklands, including environmental health, street cleaning and the regulation of car parking. As is the case with most local governments, the Authority also relies on outsourced providers to provide a range of municipal services, including waste management. The demand for social and community services in the area is only now emerging, along with growth in the numbers of permanent residents and mooring licensees in Docklands.

5.6 The Authority anticipates that, once completed, Docklands will experience high levels of tourism and visitors, and will therefore require a different range and level of services from those normally provided by local government for the mix of residents and workers within traditional municipalities. For example, the area will have a greater need for public amenities, cleaning and waste management in public spaces than needs for Home and Community Care (HACC).

5.7 The Authority views effective place management, including the marketing of public events and waterways management, as crucial to the success of the Docklands development; and has provided costings to demonstrate that these functions will become increasingly expensive to provide.

5.8 The Authority’s informal and formal submissions to the IDC included the following proposals:
   • That Docklands be the responsibility of only one municipal council.
   • That the future local governance of Docklands be decided early in order to ensure equity, certainty and stakeholder confidence in the project.
• That, if a transfer of the Authority’s local governance arrangements is to occur, then:
  – the transfer of assets to the council inheriting Docklands needs to be considered
  – place management should be funded from municipal revenue
  – a deed of protocol between the State, Docklands Authority and the council inheriting Docklands should be established; this should include agreements on principles, the provision and level of municipal services, appropriate compensation for assets and income streams, transition arrangements and timing, arrangements for making the area accessible to and safe for both residents and visitors, and maintenance of consultation with stakeholders.

6 Proposals from Adjacent Councils

Port Phillip City Council

6.1 In 2000 Port Phillip City Council requested a boundary change in the area adjacent to the port. In 2002 it made a further request, recommending that the State Government realign the boundary of the municipality to encompass the area of Fishermans Bend north of the Westgate Freeway to the Yarra River from Montague Street (Charles Grimes bridge), and west to the mouth of the Yarra River, also including the Webb Dock port precinct. This change would result in the reunification of the Fishermans Bend and Port Melbourne industrial areas under the governance of the one council, and would include the ‘Yarra Edge’ precinct of the Docklands within the municipality.

6.2 The Council also put forward an alternative, more limited option that did not include the ‘Yarra Edge’ precinct.

6.3 The Council based its proposal on the grounds that, prior to the general restructuring of councils that took place in 1994, the Fishermans Bend and Port Melbourne industrial areas came under the governance of the one council. Port Phillip City Council presented its proposal for reunification of the two areas as a local business initiative based on the desires of the affected rate-paying businesses.

6.4 According to the Council, the benefits of the proposal included:
  • restoration of the Fishermans Bend industrial estate as a dedicated, encroachment-proof industrial precinct under the planning and economic development controls of one council; this would result in greater certainty for businesses and more cost-efficient, municipal services
  • the superior capacity of the Council to give the area ‘front door’ status, compared with its current status as Melbourne’s ‘back door’
  • the lowering of rates for those ratepayers who would no longer be living under the governance of the City of Melbourne
  • ensuring greater certainty regarding land use in the area by protecting it from increasing pressures to include residential zoning
  • providing a sustainable revenue base to fund the management of infrastructure assets and the delivery of integrated planning.
6.5 In addition to arguing that reduced and therefore fairer rates for businesses and
the broad support of the business community were the major reasons for
reunification of the area, the Council claimed that its strong focus on servicing
port-related and industrial precincts made it the ‘logical choice for managing the
unified area’.

6.6 The Council further stated that, in relation to the Yarra Edge segment of the
Docklands area – the only part of the development on the southern bank of the
Yarra River – ‘people in the new residential development are already seeking
services (retail, food and hospitality) in the City of Port Phillip area’.

6.7 The Council stated that, as the City of Melbourne would retain significant areas
of industrial and commercial space, including any ‘new knowledge’ industries
associated with the Docklands, the City of Melbourne would not be
disadvantaged by the proposal.

6.8 It further claimed that ‘the benefit and growth potential to the local Port
Melbourne economy and the State will be fully realised if this area’s
management were in the hands of a single municipality’.

6.9 Under its proposal, the City of Port Phillip would receive an additional $1.36
million in net rates revenue. This figure is based on an estimated $5.21 million in
rates receivable less municipal expenditure requirements of $3.85 million.

Maribyrnong City Council

6.10 The Maribyrnong City Council presented itself as an industrial municipality in
terms of both its history and its current status. Its current population of 62,000
represents a comparatively small number of residential ratepayers.

6.11 The Council proposed that its boundaries be extended eastwards to include the
docks, rail and markets precincts – namely Coode Island, Swanson Dock, the
flower, fruit and fish markets, and the railway and freight movement areas south
of Childers Street in South Kensington.

6.12 The rationale for the boundary extension is essentially economic. The Council
acknowledged that the proposal would increase the municipality’s size by one-
third, significantly enhancing the social and economic sustainability of the
municipality and contributing to employment growth.

6.13 According to the Council, the proposed boundary change would ensure that
issues relating to pollution, traffic and employment, resulting from the proximity
of the market and industrial precincts could be dealt with by the one regime,
reducing the current burden on ratepayers.

6.14 The Council stated that the areas it sought to include in its governance would
receive greater attention than they currently receive from Melbourne City
Council. Making these areas the ‘front door to the west of the central business
district ’ would align with Maribyrnong’s vision for redevelopment of the banks of
the Maribyrnong River. Melbourne City Council would benefit by being freed to
concentrate on the governance of a merged Docklands and central business
district.
6.15 The Council reported that the fears of some residents regarding Coode Island’s potential for chemical hazards had lessened, and their acceptance of the terminal’s existence had increased since community consultations with the new owners of the terminal. The Council stated that effective mechanisms for community consultation in relation to Coode Island terminal operators and Melbourne Port Corporation were already in place, underpinned by a clear demarcation of responsibilities and the community’s proven capacity to live with the impact of neighbouring industrial activities.

6.16 The Council based its argument for the extension of its boundaries on the concept of ‘industrial connectivity’ and the existence of a community of common interest, stating that over 50 per cent of workers in the proposed extensions of the municipal boundary already live in Maribyrnong or the western region. It asserted that its knowledge of the pertinent issues for terminal operators and other major industries in the area resulted in a level of commitment, credibility and expertise superior to that of Melbourne City Council.

6.17 Under its proposal, the Council would receive an additional $1.5 million in net rates revenue. This figure is based on an estimated $3 million in rates receivable less municipal expenditure requirements of $1.5 million.

**Melbourne City Council**

6.18 Along with Maribyrnong and Port Phillip City Councils, Melbourne City Council initially supported the Government’s process for review of the future governance of Docklands. Subsequently, however, the Lord Mayor, Cr John So, advised the Government that the Melbourne City Council had unanimously resolved not to support the IDC process. The Minister for Local Government wrote to the Lord Mayor to encourage a reconsideration of this position. The Council reiterated that the Government should return governance of the entire Docklands area to the City of Melbourne as soon as possible.

6.19 The Council made no submission to the IDC review process, nor did it authorise its officers to provide the IDC with any data or other assistance. However, the Council authorised its CEO to hold discussions with the Executive Director, Local Government, and the Docklands Authority, on issues regarding the future transfer of Docklands. These discussions have assisted in the development and refinement of draft financial projections for municipal services and management for the area.

6.20 The Council wrote to the Premier and a number of State Government Ministers seeking to discuss the ‘possible ramifications of any Government decision that may be detrimental to the ratepayers of Melbourne and affect the status of the Capital City’. It expressed its belief that the proposals being considered by the IDC would significantly inhibit the Council’s ability to deliver on its ‘City Plan 2010’ policy.
6.21 ‘City Plan 2010’ is the Council’s primary planning strategy for the period up to 2010. The plan recognises the increasing use and importance of the Yarra River as the City’s ‘water spine’, supporting transportation, tourism, cultural activities and building development. It sets out the strategic directions, objectives and specific opportunities anticipated for the City with considerable reference to the Docklands development, the Yarra and Maribyrnong waterways, and the encouragement of industrial development in the Fishermans Bend and Port Melbourne areas. In the plan, Docklands is regarded as a significant extension of the central business district, a tourist attraction and a future home for up to fifteen thousand residents.

6.22 Overall, the plan shows no evidence that the Council contemplates a potential loss of municipal area to any adjacent council, or any permanent loss of responsibility for local governance of the Docklands. The Council clearly views the integrity of the City boundaries encompassing the Docklands as critical to the City’s immediate future.

6.23 Further, in the Lord Mayor’s first anniversary speech delivered to invited guests and Members of Parliament in July 2002, he identified the following goals for the City of Melbourne:

- the return of Docklands to the City
- the physical and strategic linking of Docklands to the ‘Hoddle Street grid’, Port Melbourne, Coode Island, Fishermans Bend and West Melbourne
- the support and development of city art and cultural programs in the Docklands, and public transport links to the Docklands
- the support and development of the West Melbourne industrial area and its market, transport, freight and distribution activities, including the specific development of a local freight-distribution hub
- the development of Fishermans Bend–Port Melbourne as a preferred location for value-added manufacturing, research and development
- improvements in shipping container capacity and in integrated planning of vital transport connections in relation to Port Melbourne and Webb Dock.

7 State Government Issues

7.1 Docklands is one of the most significant developments in Melbourne in recent times. It is a long-term project that has major importance for Melbourne’s reputation for liveability, and as a local and international destination. It forms part of the Government’s vision for the integrated functioning of the Docklands, the Port of Melbourne and the adjacent areas.

7.2 More broadly, the development of Docklands can be viewed within the context of the Government’s plans for enhancing Melbourne as a business centre and a highly liveable environment. This project entails improving transport networks, revitalising inner-city living, attracting visitors and tourists, and capitalising on the unrealised potential of Melbourne’s waterfront.

7.3 Some of Victoria’s key assets can be found within Docklands and adjacent areas. With its freight movements and transport networks, the Port of Melbourne plays a vital role in the implementation of the Government’s economic policies and development strategies and in Australia’s international trade relations.
7.4 The Government recognises that, in order to preserve the significance and integrity of both Docklands and the Port of Melbourne, these areas must be subject to planning powers independent of the planning schemes of the adjacent municipalities.

7.5 The Docklands and adjoining areas represents a combination of port activity, freight and storage infrastructure, tourism venues and public places, and industrial and residential zones. The Government recognises that any boundary changes in the area would require careful consideration of how to preserve, if not refine, those mechanisms and relationships essential to the coordinated functioning of the various precincts and activities.

7.6 Within the State's overall interest in ensuring the social, environmental and economic sustainability of Victoria, the complexity of the area represents a fragile equilibrium that requires a balanced approach.

**Port of Melbourne**

7.7 While most of the Port of Melbourne falls within the City of Melbourne, some sections of the Port are within the municipal boundaries of the Cities of Maribyrnong and Hobsons Bay.

7.8 The IDC understands that the State Government wishes to preserve the integrity of the port area and the Docklands development. Several stakeholders have expressed the view that this can best be achieved if each area is subject to only one local government.

7.9 Under the Victorian Freight and Logistics Strategy and the Port Reform Agenda the State Government is committed to achieving a 30 per cent increase in freight movements in the next 30 years. The Port of Melbourne is vital to the success of this commitment. In IDC consultations it was argued that the capacity of the port area to contribute to the achievement of the Government’s goals may well be impeded if it is governed by a council that cannot adequately oversee the use of the port by other waterway users. Further, the effectiveness of freight activity relies on the effective management of (shipping) container parks, transportation networks and appropriate buffer areas.

7.10 There is a need for the Government's ports and marine policy to take account of:

- the strategic link between the Port of Melbourne and Melbourne City Council’s status as the ‘capital city’ authority
- the inefficiency caused by the shortfall between municipal rates and the value of required services for the Port of Melbourne
- the vital importance of simple and consistent local government administrative arrangements for the efficient operation and development of the Port of Melbourne.
8 Stakeholder, Industry and Business Perspectives

8.1 The major issues for industry and business groups that may be affected by changes to local governance arrangements can be summarised as:

- the need for certainty in relation to existing and future investment
- the need for value for money in terms of the level of rates paid and the services received
- a preference for maintaining the status quo unless a substantial benefit can be demonstrated
- the necessity for any ‘new’ council to honour existing commitments, and
- the potential loss of business prestige should the connection to Melbourne as Victoria’s capital city be lost.

Melbourne Port Corporation

8.2 Melbourne Port Corporation owns the port area properties, including Coode Island, and leases them to port operators. Melbourne Port Corporation is responsible for providing its lessees with municipal services in relation to roads, traffic management, drainage, waste management, physical infrastructure and area planning.

8.3 Melbourne Port Corporation stated to the IDC that municipalities in the area need to have a strong commercial orientation, and to be capable of both accommodating State Government planning policy for the port area and representing local interests.

8.4 Melbourne Port Corporation believes that, in order for port operations to be planned and carried out efficiently, the entire port area should be within the one municipality (see 7.7 above).

Parks Victoria

8.5 Parks Victoria views the Yarra River as commencing downstream from Dights Falls and ceasing at the mouth of the Bay. The Lower Yarra River is integral to Melbourne’s extensive park system. Parks Victoria is responsible for managing this section of the river, which is divided into four management zones, and claims that the area is currently undermanaged due to limited resources. Parks Victoria’s responsibilities include enforcing marine safety and boating rules, maintaining infrastructure, holding public events, controlling litter and promoting the area.

8.6 Parks Victoria’s responsibility for the dock and port waterways extends from the upstream side of the Bolte Bridge to Dights Falls. The annual cost of its management of these waterways is approximately $250,000, funded from the annual parks charge levied by water authorities on all Melbourne metropolitan properties. In addition, Parks Victoria is contracted by the Docklands Authority to provide water management functions (for example, litter cleaning services) in and around Victoria Harbour to the extent of $90,000 per annum.
8.7 In addition to Parks Victoria’s role, the Victorian Channels Authority and Melbourne Port Corporation share responsibility for the downstream section of the river; and the Melbourne City Council manages the banks of the river, a role it carries out effectively, according to Parks Victoria.

Industry

8.8 The Government accepts that chemical storage terminals are essential to port activities, which make an important contribution to the State's economic development. Marstel Terminals Ltd (Coode Island) is a comparatively new operator in Melbourne’s chemical storage field. The company’s managing director stated that chemical storage terminals are ‘specialised real estate’ that require sound community relations and impartial, non-emotional treatment. The IDC acknowledges that Marstel has developed cooperative relationships with the adjoining Maribyrnong City Council and with a group of community representatives.

8.9 Marstel submitted, however, that it had a stronger affinity with various State Government agencies than it did with local government. Nevertheless, it considers the City of Melbourne to be an objective council that is sensitive to the needs of business.

8.10 Marstel stated that, in relation to the approval process for its Coode Island arrangements, public scrutiny from local government has exceeded that of the State Government safety agencies (that is, Work Safe and the Environment Protection Authority). Marstel believes that the efficiency of operations in the port area would be more assured if the area were entirely free of local government controls.

8.11 Manufacturers and utility suppliers in the Fishermans Bend area expressed positive views of their dealings with Melbourne City Council. They described the Council as communicative and aware of commercial realities, and stated that there was no basis for changing current local government arrangements. Peter Hanenberger, Chairman and Managing Director of Holden Limited, wrote: ‘Holden has enjoyed a cooperative relationship with the City of Melbourne … We are quite satisfied with the current municipal boundaries and are not aware of any issues which may be of benefit in changing the boundaries …’

8.12 However, industry representatives did express some concerns about the comparatively high level of rates levied by the City of Melbourne, and about the implications for industry of residential encroachment on industrial precincts if this was not halted by clearer zoning.

8.13 Respondents from the water and power utilities did not envisage any significant impact on their business operations from possible changes to local government arrangements. A Citipower representative commented that the non-standard, more expensive public lighting fixtures sought by the Docklands Authority might be costlier to maintain in the long term for any council inheriting Docklands.
Docklands Developers

8.14 Representatives of the current Docklands developers, Lend Lease, MAB Docklands and Mirvac, sought the following outcomes from the Government’s decision on local governance of the Docklands and adjacent areas:

- That there be a speedy resolution to the question of governance in order to allay further uncertainties.
- That the entire Docklands development area be governed by one council.
- That the agreements they had made with the Authority regarding precinct development be safeguarded.
- That current municipal service standards established by the Authority be maintained in the future.
- That the State Government recognise the critical role that waterways would play in the future success of the development.
- That, as divided responsibility for waterways management had led to inconsistent standards, and as Parks Victoria was consistently underfunded, responsibility for the surrounding waterways should be given to one body, either the Melbourne City Council or the Docklands Authority.
- That there be no change to current planning and administrative functions, lest damage is caused to investor confidence and to the commitment of new residents to continue to live at Docklands.

9 Analysis of Issues

Financial Implications

9.1 The IDC recognises that the Docklands Authority is essentially a land sales manager and a development contract administrator. The Docklands Authority’s responsibility for marketing the development has led to a wider interpretation of its role. Following the completion of the major aspects of the development and the anticipated restoration of governance and municipal services to local government, the Authority will focus exclusively on finalising and monitoring the final agreements with developers.

Assets

9.2 The Authority’s agreements with developers include the provision of public infrastructure, constructed by the developers and supervised by the Authority to agreed technical standards. The Authority estimates that the development, to be completed by 2018, will include municipal assets valued at a total of $390 million, comprising:
<table>
<thead>
<tr>
<th></th>
<th>$M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal roads &amp; laneways</td>
<td>65.5</td>
</tr>
<tr>
<td>Wharfs &amp; promenades</td>
<td>204.6</td>
</tr>
<tr>
<td>Bridges</td>
<td>91.6</td>
</tr>
<tr>
<td>Public parks</td>
<td>12.1</td>
</tr>
<tr>
<td>Other infrastructure</td>
<td>16.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>390.3</td>
</tr>
</tbody>
</table>

The written-down value of existing municipal assets at 30 June 2002 was $82.4 million. While the Authority has funded construction of these assets through debt arrangements, their cost will be recouped through land sales to developers and from developers’ contributions to Docklands. Consequently, the council inheriting Docklands would not be required to pay a capital charge for the transfer of such assets at the time it assumed responsibility for local governance and municipal services. Furthermore, any attempt to apply a capital charge to the inheriting council for the asset transfer would be viewed as ‘double-dipping’ and contrary to existing practices for municipal assets created by developers. Nevertheless, the inheriting council would be responsible for ongoing maintenance of those assets.

9.3 Accounting standards require that the written-down asset value be recorded as a ‘loss on disposal’. The apparent substantial ‘loss’ would be reflected in the State’s consolidated Annual Financial Report.

**Cashflow Projections**

9.4 Financial projections (and their underlying assumptions) for the future costs of municipal management and place creation functions have been reviewed and adjusted by an independent accounting firm, in consultation with officers from the Authority, the IDC and Melbourne City Council. The resulting projections for the cost of the various functions indicate that significant net surpluses will be generated over the next 15 years. However, the projected surpluses are not excessive, considering:

- They do not include any provision for capital expenditure for construction of community facilities that may be required during the 15-year projection.
- The property market in this area is expected to be very volatile. Accordingly, sensitivity analysis has been applied to rates revenue at –10 per cent and –20 per cent of current market values.

**Development of Unfunded Community Facilities**

9.5 It is noted that the Authority’s policies require that five per cent of each land ‘parcel’ be held vacant over the next 15 years for the construction of community facilities. If this policy is continued, the obligation to fund community facilities will rest entirely with the council inheriting Docklands, which will lack potential funding support from agreements with developers. The State Government will continue to work with the Authority in consulting with a range of government and community service providers to develop a plan for provision of, and or access to, community facilities.
Municipal Management Function

9.6 The Authority’s municipal revenue for 2001–2 totalled $1.4 million (excluding contributed infrastructure assets from developers), compared with the total municipal expenditure of $1.9 million, resulting in a net shortfall of $0.5 million for municipal management. The Authority forecasts that the accumulated deficit for providing municipal management by 30 June 2003 will be some $5 million and will continue to accrue until 2004–5.

9.7 Revenue from rates forms the main component of the cash flow projections for the municipal function. Otherwise, the projections incorporate the standard revenues and expenses set at levels incurred by benchmark councils and in line with the Authority’s build-out plan. As such, they include provision for services and functions such as general marketing and promotion, asset maintenance and governance in similar proportions to like councils (though not always in line with the City of Melbourne).

9.8 As buildings are completed and occupied, and the corresponding rates revenue increases, annual net surpluses are projected to increase substantially, levelling off as full occupation is achieved (see Figure 1).

Figure 1

![Municipal management function only: annual cashflow projections](image)

9.9 The Docklands Authority is debt-funded and therefore has a responsibility to recover its debt and repay it to the State. Accordingly, the IDC believes that the council inheriting Docklands should pay the deficit accumulated by the Authority for its municipal function at the time of transfer, in return for the considerable forecast cash flows. (The estimated accumulated deficit as at 1 July 2003 will be $5 million. Figure 1 includes the projected cash flows for the inheriting council, assuming that the council will pay the $5 million via debt at 7.5 per cent per annum interest with a 15-year repayment term.)
Place Creation and Place Management Function

9.10 The place creation and place management function of the Docklands development is seen as crucial to the achievement of the Government’s objective that the precinct be a world-class icon. The main components of this function are the management of waterways and the waterfront (including water cleaning, wharf maintenance and upgrade) and the marketing and promotion of special events. The IDC estimates that the costs of carrying out this function will continue to exceed, by a substantial degree, the revenue generated by this function, though levelling off from 2018.

9.11 Figures 2 and 3 show that revenue generated by the municipal function from 2005–6 onwards will be sufficient to cover the accumulated and annual costs of the combined municipal and place creation and management functions, even if property market values, and therefore revenue from rates, drop by 20 per cent. It would therefore be appropriate for the council inheriting Docklands to fund the full cost of municipal and place creation and place management functions to the extent envisaged by these projections. However, the accumulated surplus is unlikely to be sufficient to fully fund capital expenditure on community facilities.

Figure 2

![Annual cashflow projections - combined functions modelling](chart.png)

- Net surplus $’000
- Year
- Current market
- Market less 10%
- Market less 20%
- New Council @ current mkt

20
9.12 If the municipal boundary change proposed by Maribyrnong City Council were adopted, the Council would receive an estimated additional $1.5 million rates revenue surplus per annum. This figure is based on the estimated potential $3 million per annum in rates less the additional expenditure requirements of $1.5 million. Conversely, Melbourne City Council would experience a $1.5 million loss in revenue.

9.13 Similarly, if the municipal boundary change proposed by Port Phillip City Council were adopted, the Council would receive an estimated additional $1.36 million rates revenue surplus per annum (increasing to $1.4 million if the Council’s more limited proposal, minus the Yarra Edge development, was adopted). This figure is based on the estimated potential $5.21 million rates receivable from the area less the additional municipal expenditure requirements of $3.85 million. Conversely, Melbourne City Council would experience a $1.36 million loss in revenue.

9.14 The financial implications for Melbourne City Council if it inherited Docklands (and therefore the funding responsibility for municipal functions and place creation and place management functions), and if both proposed boundary changes were imposed (resulting in a net cash outflow of $2.86 million), are that the accumulated deficit would be covered by net surpluses only by 2009–10, depending on prevailing property market conditions and corresponding rates revenue. Subsequent annual net surpluses would be more modest as a result of the reduced rates revenue.
Planning Issues

9.15 The Docklands redevelopment is ahead of schedule. Several hundred permanent residents already occupy the new MAB and Yarra Edge residential developments. Waterfront food businesses and tourist venues are experiencing active trade. The completion of the Collins Street overpass has led to an increase in the number of visitors to the area, which will ultimately lead to growing demands for municipal services such as waste management, street infrastructure, and parking and health controls.

9.16 The Docklands Authority estimates that, given such a high rate of development, by 2010 up to 80 per cent of the total planning of the Docklands area will have been approved by the Minister for Planning as the Responsible Authority. However, as the IDC was reminded by several stakeholders, planning activity does not cease once initial development is achieved. With the area likely to be particularly dynamic, redevelopment applications will necessitate a continuing need for a strong and integrated approach to planning control. The current arrangement with the Minister as the Responsible Authority and the Docklands Authority as the Referral Authority provides this strength.

9.17 Currently the State’s Planning Unit (now within the Department of Sustainability and Environment) consults Melbourne City Council on planning applications to do with Docklands. However, the current arrangements do not provide the Council with any statutory role in planning for Docklands.

9.18 In practice, approvals of major development projects sponsored by the Docklands Authority are, for the most part, carried out by Planning Scheme amendments by the Minister. This does not provide any avenue for residents of the City of Melbourne or the residents of Docklands to exercise objection or appeal rights, or to make formal submissions on the amendments, since they are generally not advertised.

9.19 While the increasing number of Docklands residents may seek such rights, they do not exist in the Capital City Planning Zone that applies to Melbourne’s central business district where the Minister for Planning is the Responsible Authority for permit applications for developments greater than 25,000 square metres. Melbourne City Council is the Responsible Authority for other permit applications.

9.20 In the future, residents of Docklands can be expected to demand access to the same input and appeal opportunities in relation to planning decisions as exist in other municipalities.

9.21 The view of the IDC is that the regime currently applying to the City of Melbourne central business district could apply to Docklands at an appropriate time in the future, but that it is premature at this stage when the fundamental building blocks of the Docklands development are still being established, and while there is a need for consistent decision making as detailed development approvals are followed through. Given the size of the various Docklands precincts and the fact that many have lengthy development programs, it is unlikely that any individual precinct will be fully developed in the short term to the extent that it could be subject to the same regime as operates in the central business district. In any event, staged transferral of individual precincts to the City of Melbourne as the Responsible Authority would lead to a patchwork administration in a total development, despite one of the fundamental requirements that it be developed in a consistent and integrated manner.
Port and Industrial Areas: Interface and Integration

9.22 Those areas of Maribyrnong City Council adjacent to both the Coode Island chemical storage terminal and the major freight transport corridor bear some community and environmental costs as a result of their position. The Council stated that establishing a rapport with the community and consulting with its members have proved to be sound ways to resolve many community sensitivities. The IDC recognises the value of the Council advocating on behalf of its citizens. The IDC considers that providing funding for community education and consultation in relation to issues arising from adjacent port and Coode Island activities, may be a practical way for the Government to assist the Maribyrnong community.

9.23 Port Phillip City Council and some industry stakeholders have stated their concerns regarding the municipal boundary dividing the Fishermans Bend industrial precinct. The IDC recognises that this division leads to differences in rating levels, and in levels of commitment to economic development, municipal service standards and the relationship between industry groups and the council. The IDC sees the merit of establishing a coordinating body with representatives from the Port Phillip and Melbourne City Councils and from the State Government, to focus on the integration and management of planning, business and transport strategies in the Fishermans Bend area.

9.24 The IDC considered a funding option whereby revenue from rates paid by the Melbourne Port Corporation to Melbourne City Council could be apportioned among the three councils, and be designated for ‘port proximity mitigation’ and economic development activities.

9.25 Assuming the amount of rates paid by the Melbourne Port Corporation remains in line with the 2001–2 level of between $1.7 million and $1.8 million, and that Melbourne City Council contributes two-thirds of this sum to the other two councils, it is forecast that the annual and cumulative cash flows for Melbourne City Council, after inheriting the responsibility for Docklands, would turn ‘positive’ only from 2006–7. As with the potential impact of boundary changes, subsequent annual net surpluses would be more modest as a result of the reduced rates revenue.

9.26 In relation to Port Phillip and Maribyrnong City Councils, this option would generate significantly less rate revenue than under their proposed boundary changes; that is, $600,000 each, as opposed to $1.36 million and $1.5 million rate revenue surplus, respectively.

Place Management of Docklands Waterways and Waterfront

9.27 The Docklands has an estimated seven kilometres of water frontage and 40 hectares of open water. The achievement of the State Government’s vision for the development is dependent upon effective place management of the waterfront location.

9.28 The preservation and development of the amenity and aesthetics of Melbourne’s entire waterfront, not just the portion of it belonging to Docklands, are important if Melbourne is to reach its potential both as a tourist destination and a recreational site for its residents. More broadly, through its consultations, the IDC is mindful of the relationship of Melbourne’s waterfront with its downstream (port) and upstream (suburban run-off), and with the catchment areas of the Yarra and Maribyrnong Rivers, Merri and Moonee Ponds Creeks.
9.29 The Docklands Authority has prepared a water-management business plan which anticipates up to four major annual water-based festivals and similar attractions, many smaller events and considerable recreational use of private marinas, public wharves, and water and dockside promenades. Parks Victoria, Melbourne Port Corporation and the City of Melbourne participated in the development of this plan, and currently have an ongoing role on the Authority’s water reference committee.

9.30 In addition to the Authority, several bodies have key interests in and responsibility for aspects of waterways management: Melbourne City Council, Parks Victoria, Melbourne Port Corporation and the Victorian Channel Authority.

9.31 For comparison, the IDC observed the management structures and strategies established in the Australian Capital Territory and New South Wales for place management and promotion of the Lake Burley Griffin and the Sydney Harbour waterfronts. In both cases the IDC identified the value of having an entity dedicated to integrated management and promotion of a particular area that has State significance.

9.32 Parks Victoria stated that its current funding levels do not allow it to adequately maintain and promote the waterways for which it is currently responsible. Similarly, the IDC has found that the Docklands Authority’s projections of revenue from water-based events would be insufficient to meet the cost of adequately managing Docklands’ waterways and waterfront.

9.33 The IDC is not convinced that Melbourne City Council, as a capital city council with diverse policy demands, has the capacity to be solely responsible for integrated management of the waterways. However, the adequacy of its immediately available rates revenue stream, along with its experience in organising public events on and around the Yarra River, tend to suggest that, at the very least, the Council should play a major role in water events management.

9.34 The IDC recognises the potential value of establishing an expert coordinating body with representation from the State Government, Melbourne City Council, Parks Victoria and the Docklands Authority to promote and manage Melbourne’s waterways and waterfront. This could be a special committee of the Melbourne City Council, established under section 86 of the Local Government Act 1989. The ‘Melbourne Waterfront Coordinating Committee’ (or similar) could require each of its members to contribute expertise in their respective areas of management of water events, waterways cleaning, river tourism and traffic, pollution control and promotion of the waterfront.

9.35 The need for a coordinated approach to the management of the waterways and river frontage of that section of the Yarra River from the Bolte Bridge to the Punt Road Bridge was raised during the IDC’s deliberations.
10 Governance Options

10.1 The IDC’s consideration of options for restoration of local democracy to Docklands was guided by the principles set by the Government in the IDC’s terms of reference. There is emphasis, in these principles, on the importance to the State Government of its vision for the Docklands, for the Port of Melbourne and for the adjacent industrial and recreational waterfront and waterways.

10.2 The IDC examined the rate of development of the Docklands area, the vision for and functions of the Docklands Authority, the Port Phillip and Maribyrnong City Councils’ proposals for municipal boundary changes and the roles of the respective councils. In the context of the need to balance competing claims, maintain the Government’s commitment to Melbourne as a liveable and thriving capital city and promote the effectiveness of all port and waterway operations, the IDC concluded that the two core issues to be addressed in the Government’s decisions are:

- restoring local governance to, while protecting the State’s long-term vision for, the Docklands
- providing for effective management of the water, land and water–land interface along Melbourne’s premier recreational waterway.

Option 1: Retain Present Arrangements for Docklands

10.3 Under this option, the Docklands Authority or its successor would maintain responsibility for municipal services and infrastructure and there would be no democratically elected representation. This option would provide the simplest approach and would require no legislative change. Further, the State Government would, through the Authority or its statutory successor, have some control over municipal matters. However, this option would not deliver the State’s commitment to restore local democracy in the Docklands. Nor would it address the port interface issues and place management responsibilities identified by the IDC.

Option 1 is not recommended.

Option 2: Full Restoration of the Docklands Area and its Municipal Functions to the City of Melbourne

10.4 This option would entail the passing of legislation to effect restoration of the Docklands to the City of Melbourne, as it was prior to the 1999 excision. All municipal responsibilities including statutory planning functions and responsibilities would be transferred to Melbourne City Council. This option would involve a formal deed of protocol committing the State, the Docklands Authority (or its successor) and the Council to certain minimum service standards, to timelines for transfer of identified assets and municipal functions, and to protecting developer agreements while build-out of precincts is in progress – arrangements for which would require that all current and future revenue, expenses, assets and liabilities associated with the municipal management function of Docklands be accepted by Melbourne City Council.
10.5 Under this option the Government’s commitment to restore local democracy to the Docklands would be met and the future responsibilities of the Docklands Authority would be clarified. Stakeholders in the area, particularly the Docklands developers and residents, would be given certainty regarding their future governance. However, under this option there are possible risks to the development momentum at Docklands and, through the State’s loss of planning powers at Docklands, to the State’s achievement of its vision for Docklands and adjacent areas.

Option 2 is not recommended

Option 3: Full Restoration of the Docklands Area but only Partial Restoration of its Municipal Functions to the City of Melbourne

10.6 Under this option, the local governance of Docklands and its municipal services would be restored to the City of Melbourne, but planning responsibilities within Docklands would be retained by the State Government, for transfer at a date to be determined. Place management of the waterways and waterfront would be addressed through special arrangements that share decision making between key State Government bodies and the Melbourne City Council (see Option 5).

10.7 This staged transfer could ensure that developer agreements proceed without being subjected to compromise in their formative stages by local agenda. As under option 2, municipal financial management, including all current and future revenue, expenses, assets and liabilities associated with municipal management functions would be transferred to Melbourne City Council.

10.8 The IDC looked at staging the transfer of precincts as their build-outs were completed, but took this possibility no further given the inherent difficulty of determining ‘completion’ for developments that continually evolve, in a planning sense, and so are never ‘completed’.

10.9 This option would meet the Government’s 1999 election commitment and provide the Docklands Authority and Melbourne City Council with a measured, deliberative handover. However, there is potential for disagreement about the timing of the transfer of the planning function. There could also be disagreement over the legitimacy of paying for the management of waterways and other place management functions from municipal rate revenue.

Option 3 is recommended.

Option 4: Changes to the Municipal Boundaries of the Cities of Maribyrnong, Melbourne and Port Phillip

10.10 Under this option the boundary changes sought by Maribyrnong City Council and Port Phillip City Council would be realised. Maribyrnong would acquire the Coode Island, Swanson and Appleton Dock areas, the Melbourne Wholesale Fruit and Market areas, and the Melbourne and Dynon Road rail freight terminal areas south of Childers Street, South Kensington. Port Phillip would acquire the Fishermans Bend area north of the Westgate Freeway and west to the mouth of the Yarra River, including Webb Dock.

10.11 With respect to the Maribyrnong proposal, the claimed major gain would be the greater assurance of a socially and economically sustainable future for Melbourne’s western gateway area.
10.12 With respect to the Port Phillip proposal, the claimed major benefit would be the delivery of desired, integrated planning and municipal management of industries in this key industrial precinct.

10.13 On balance, the IDC believes that the perceived benefits to the Port Phillip and Maribyrnong municipalities, through the boundary changes they have proposed, fail to outweigh the major disbenefits identified by the IDC to the State’s Port of Melbourne and Docklands visions. These disbenefits are caused by potentially redistributing the governance of these areas among multiple municipalities.

10.14 The IDC considered the merits of addressing the issues identified and the benefits sought by Maribyrnong City Council and Port Phillip City Council through a scheme of apportioning the rate revenue payable by the Melbourne Port Corporation, so that the respective councils could fund targeted ‘port mitigation’ activities.

10.15 The IDC does not recommend the approach outlined in 10.14 for the following reasons:

- It would set a precedent in relation to other State Government enterprises and local government.
- The revenue it would generate for the Cities of Port Phillip and Maribyrnong ($600,000 per annum to each) would be significantly less than what they would receive under their proposed boundary changes ($1.36 million and $1.5 million rate surpluses, respectively).
- The loss of $1.2 million per annum rate revenue would seriously affect the cash flow of the City of Melbourne.

10.16 The IDC sees the merits of an alternative strategy under which the State Government would establish mechanisms to ensure coordinated management and planning by Maribyrnong City Council, Port Phillip City Council, Melbourne City Council and the State Government, of those areas where local stakeholder needs would best be addressed by an integrated approach.

**Option 4 is not recommended.**

**Option 5: Establishment of a Coordinated Arrangement for Place Creation and Management of Melbourne’s Waterfront and Waterways**

10.17 Under this option the State Government would ensure an effective, committed, world-class management of the waterfront, through a cooperative arrangement between the State (including Parks Victoria and the Docklands Authority or its successor) and Melbourne City Council. Establishment of such an arrangement, under clear leadership, would result in coordinated responsibility for waterfront and waterway promotion, public events, water cleaning, security and wharves maintenance and upgrade.
10.18 It is noted that the cost of place management at Docklands is forecast to be substantial, increasing to some $10–12 million per year. This expense represents around 50 per cent of Docklands’ rates revenue and 33 per cent of its total revenue. It is estimated that this revenue, to increase as build-out progresses, will be sufficient to clear the accumulated deficit and comfortably cover the costs of municipal functions and place management at Docklands. As there are no other readily identifiable revenue sources to offset the cost of place management, it was agreed that the council inheriting Docklands should bear the entire cost of municipal functions and place management at Docklands in exchange for the income stream from Docklands.

10.19 Under this option, however, there would be no opportunity to establish a dedicated entity to manage the waterways and waterfronts from the Bolte Bridge upstream to Punt Road. The IDC considered that the significant range of complex issues needing to be addressed in determining the desirability or otherwise of establishing a dedicated entity to manage the waterways and waterfront over this extended area, could not be addressed within the ambit and timeframe of the IDC.

10.20 Under this option Melbourne City Council would need to establish a coordination body, similar to a section 86 committee under the *Local Government Act* 1989, to have responsibility for the planning and management oversight of the waterways and waterfront. To do so would necessitate an amendment to the *City of Melbourne Act* 2001.

*Option 5 is recommended.*

11 Governance Implementation Considerations


11.2 Other actions required to implement options 3 or 5, in summary, would be preparation of:
- a deed of protocol/agreement between the State Government and Melbourne City Council regarding the transfer of the Docklands Authority’s municipal functions, including service standards, liabilities and assets
- a deed of protocol/agreement between the State Government (including the Docklands Authority and Parks Victoria) and the City of Melbourne, to establish a coordinating and planning body to oversee place management of the Docklands waterways and waterfront
• a formal agreement between the State Government, Melbourne City Council and Port Phillip City Council regarding mechanisms for the integrated planning and management of the Fishermans Bend industrial precinct
• a formal agreement between the State Government, Maribyrnong City Council and Melbourne City Council regarding mechanisms for the integrated planning and management of the 'markets, rail and port' precinct.

12 Findings and Recommendations

12.1 The IDC is of the view that the governance option which best accommodates the principles set by the Government (see Appendix I) is restoration of the Docklands area and its municipal functions to the City of Melbourne, with the exception of statutory planning for the precinct, and that special arrangements should be put in place to share decision making between key State Government bodies and Melbourne City Council with respect to place management functions.

Recommendation: That the Docklands area and municipal functions, with the exception of statutory planning, be restored to the City of Melbourne.

Boundary Changes Proposed by the Cities of Port Phillip and Maribyrnong

12.2 On balance, the IDC believes that the perceived benefits to the Port Phillip and Maribyrnong municipalities, through the boundary changes they have proposed, fail to outweigh the major disbenefits identified by the IDC to the State’s Port of Melbourne and Docklands visions. These disbenefits are caused by potentially redistributing the governance of these areas among multiple municipalities.

12.3 The IDC considered the merits of addressing the issues identified and the benefits sought by Maribyrnong City Council and Port Phillip City Council through a scheme of apportioning the rate revenue payable by the Melbourne Port Corporation, so that the respective councils could fund targeted ‘port mitigation’ activities.

Recommendation: That there be no boundary changes between the City of Maribyrnong, the City of Melbourne and the City of Port Phillip.

Recommendation: That mechanisms be established between the State Government, the City of Maribyrnong, the City of Melbourne and the City of Port Phillip for the integrated planning and management of the Fishermans Bend industrial precinct and the current docks, rail and market precinct.
Planning Responsibility for the Docklands Area

12.4 The Docklands Authority has estimated that, at its current rate of development, by 2010 up to 80 per cent of the total planning of the area will have been approved by the Minister for Planning as the Responsible Authority. The IDC, however, recognises that planning activity does not cease once initial development is achieved. The area is likely to be particularly dynamic, with redevelopment applications necessitating a continuing need, at least for some time, for a strong and integrated approach to planning control.

12.5 The IDC is mindful of the rapid build-out of the various Docklands precincts and of the likely expectations for local democracy. However, the State Government’s need to maintain a strong role in the planning of the area, for the foreseeable future, is paramount.

12.6 The IDC is therefore of the view that the current planning arrangements for Docklands, with the Minister for Planning as the Responsible Authority and the Docklands Authority as the Referral Authority, would provide continuity and the surety that the State Government’s vision for Docklands, and its investment in the area, will be protected.

Recommendation: That, until the State Government is satisfied that its interests in the Docklands area are secure, the current planning arrangements with the Minister for Planning as the Responsible Authority and the Docklands Authority as the Referral Authority, be retained until a time to be determined.

Place Management of Docklands Waterways and Waterfront

12.7 With respect to place management functions in the Docklands area, including the waterways and waterfront, the IDC identified the benefit of establishing a coordinating and planning body to represent the interests of both the State Government and the City of Melbourne, and to oversee place management activities.

12.8 The IDC recommends that such a body should have representation from the State Government, the City of Melbourne, Parks Victoria and the Docklands Authority (or its successor). This body would have responsibility for the promotion and place management of the waterways and waterfront area. Such a body could be a special committee of the City of Melbourne, established under section 86 of the Local Government Act 1989. Each entity represented would contribute its own expertise in management of water-related events, waterways cleaning, river tourism and traffic, and promotion.

12.9 The IDC is of the view that the projected surplus from the revenue source which the City of Melbourne would derive from the Docklands area is sufficient to fund the place management function. The IDC is of the view that the City of Melbourne should have responsibility through the proposed arrangements for delivering these functions.
12.10 To ensure proper performance of this function, the amending legislation transferring the Docklands area to the City of Melbourne should include a provision requiring that the City of Melbourne establish a committee such as that described in 12.8, and undertake the functions envisaged with the funding sourced from the projected surplus and the relevant share of the annual parks charge levied by the water authorities on all Melbourne metropolitan properties.

Recommendation: That a coordinating body consisting of the State Government, Parks Victoria, Melbourne City Council and the Docklands Authority, be established to oversee the planning and management of the Docklands waterways and waterfront.

Next Steps

12.11 There would be benefit in the IDC being maintained to oversee the implementation of the Government's decisions on the governance of the Docklands and adjacent areas. Implementation tasks would include the following:

- oversight of drafting of amending legislation for effecting the restoration of the Docklands area to local governance under the City of Melbourne
- oversight of drafting of amending legislation to give effect to the coordinating mechanism required for place management of the Docklands waterways and waterfront
- preparation of a deed of protocol/agreement between the State Government and City of Melbourne re the transfer of Docklands Authority municipal functions, including service standards, liabilities and assets
- preparation of a deed of protocol/agreement between the State Government (including the Docklands Authority and Parks Victoria) and the City of Melbourne, to establish a coordinating and planning body to oversee place management of the Docklands waterways and waterfront
- preparation of a formal agreement between the State Government, Port Phillip City Council and Melbourne City Council regarding mechanisms for the integrated planning and management of the Fishermans Bend industrial precinct
- preparation of a formal agreement between the State Government, Maribyrnong City Council and Melbourne City Council regarding mechanisms for the integrated planning and management of the 'markets, rail and port' precinct.

12.12 Advice on the timing of restoration of Docklands to the City of Melbourne is dependent on the completion of the above implementation tasks.

Recommendation: That the IDC be retained to oversee the implementation of the Government's decisions on the governance of the Docklands and adjacent areas.
Appendix 1: Terms of Reference of the Docklands and Adjacent Areas Interdepartmental Committee

1 In the context of the Government's commitments to:
   a restoring democracy to the whole of Victoria,
   b reviewing the current Docklands local governance arrangements, and
   c maintaining a cooperative relationship with the reformed City of Melbourne,

to prepare advice for the Government on options for the long-term local governance of the Docklands and adjacent areas.

2 In recognition of the boundary issues adjacent to the Docklands, as raised by the Cities of Port Phillip and of Maribyrnong, it is appropriate at the same time to consider and to prepare advice on local governance responsibility for these adjacent areas.

3 In preparing this advice the IDC will give consideration to
   a optimal timing for any transfer of current governance arrangements;
   b treatment of municipal infrastructure assets;
   c Docklands Authority and municipal financial considerations;
   d the views, needs and expectations of key stakeholders;
   e wider ramifications of any changes to municipal boundaries; and
   f any other issues relevant to the Government's considerations of the local governance of and overall development of the Docklands and adjacent areas.

4 The following principles will guide the considerations of the IDC:
   a continued support for the development of the Docklands
   b maintenance of legitimate expectations of the area's investors, developers, visitors and growing resident base, as to both local government arrangements and the standard and development of municipal services
   c continuation of the planning role of the Docklands Authority with respect to the Docklands area
   d protection of contractual obligations of the Docklands Authority, which may be modified from time to time in accordance with the provisions in those contracts or agreements
   e protection and enhancement of the momentum of the Docklands development, including its evolving provision of municipal infrastructure and services
   f no additional budgetary implications for the State
   g maintenance of a long term vision for the Capital City
   h consideration of the public interest in terms of economic, environmental, social and financial sustainability through the most appropriate allocation and management of assets, including the key infrastructure asset of the Port of Melbourne and its associated inter-modal facilities
   i recognition of the importance of clear, unambiguous local governance arrangements for the Port of Melbourne.
Appendix 2: Submissions made to the Interdepartmental Committee

AMRL/DSTO (Australian Military Research Laboratories)
Barro Group
Charles Gabb & Co Pty Ltd
Citipower Pty Ltd
Citiwest Water
Coalition of Residents Association of Melbourne
Dalprop Pty Ltd
Docklands Authority
Document Printing Aust.
Globe International
Hardware Precinct Residents & Traders Association
Hawker de Havilland
Holden Limited
Independent Cement and Lime Pty Ltd
Lend Lease
MAB Corporation
Maribyrnong City Council
Marstel Terminals
Melbourne Port Corporation
Parks Victoria
Port Phillip City Council
Pulse Energy Pty Ltd
Salta Properties
Toyota Motor Corporation
Transport Workers Union
United Energy
Victorian Transport Association
Appendix 3: Maps

A  Current municipal boundaries
B  Melbourne Port Corporation boundaries
C  Melbourne Docklands area
D  Maribyrnong City Council – proposed boundary change
E  Port Phillip City Council – proposed boundary change
F  Combined boundary change proposals – resultant potential re-alignments in Docklands and adjacent areas