Financing our roads, rail, tunnels & bridges
The case for infrastructure bonds

By John Quiggin

Having been recently re-elected with a near-record majority for the second time, the Beattie government looks secure in office for some years to come. However, a government that fails to deliver a high standard of public services, including high-quality physical infrastructure, can find its popularity eroded rapidly. The defeat of the seemingly-secure Kennett government in Victoria and the current difficulties of the Carr government in New South Wales illustrate this point.

The needs for new infrastructure are obvious, but the best way to finance them is not. Like most Australian governments, the Beattie government is exploring the

PRETENCE, PERVERSITY & PROCRASTINATION
A Stocktake of Queensland Planning

By Phil Day

“Pretending to Plan” was the heading of an article in the Courier-Mail last year. It remains an apt description of the situation confronting us in 2004 – particularly in south-east Queensland.

Whether it’s a challenge the re-elected State government will seriously address remains to be seen. The proposed

One billion dollars and steady

Brisbane industrial sales market is hovering around the billion dollar threshold. For six months, from December 2002 to June 2003, it was steady at 970 million. Since then, demand has remained high and only the lack of stock limits the market’s growth. We will need to wait six to nine months to know whether it has nudged over the magical one billion dollar level for the first time.
We make it our business to understand yours.

With Westpac Business Banking we have Relationship Managers who are property specialists in both development and investment. They know your industry and take the time to listen to you and offer flexible funding packages that satisfy your individual project requirements.

To find out more about Westpac Property Finance call Christopher Gifford, Senior Relationship Manager on 0417 493 195 or David Kelly, Senior Relationship Manager on 0419 238 197 or Paul Kelly, Head of Middle Markets, Brisbane South/Gold Coast on 0419 227 275.
Infrastructure bonds,...
- Continued from page 1

idea of Public-Private Partnerships.

In this paper, it is argued that Public-Private Partnerships are not, in general, an appropriate method of meeting Queensland’s infrastructure needs. An alternative financing method is proposed, namely, the issue of special purpose infrastructure bonds, to be financed by the gradual removal of the fuel subsidy.

Queensland’s infrastructure needs:

Queensland already spends more on infrastructure than the average for other states. It might reasonably be asked, therefore, whether additional expenditure is necessary, as opposed to merely desirable. The relative dispersion of Queensland’s population is relevant, but not critical. In many cases, the provision of infrastructure in crowded urban areas is more expensive than in provincial cities or rural areas.

The main reason that Queensland needs to spend more on infrastructure than other states is the fact that its population is growing more rapidly. Every week 1,000 people arrive in Queensland from interstate or overseas. That means a need for capital investment in new facilities of every kind—schools, hospitals, roads and railways. A rough estimate is that the government capital stock should be about $20,000 per person which would imply a need for $1 billion in new capital stock each year just to keep up. This means Queensland needs to spend more than slower-growing states.

The idea that the requirement for net investment is determined by the growth, rather than the level of demand for services (in this case, the services provided by infrastructure) is an old one, known to economists as the Accelerator Principle. In Queensland’s case, the accelerator is a major source of demand for new investment.

Are Public Private Partnerships the answer?

Over the past two decades, repeated attempts have been made to find innovative methods of providing public infrastructure using private finance. Such methods have included sale-and-leaseback arrangements, Build-Own-Operate and Transfer (BOOT) schemes and, most recently, Public Private Partnerships (PPPs). Various claims have been made about the potential benefits of such an approach, some more defensible than others. However, the most common motive for seeking private financing is the idea that it can deliver ‘something for nothing’: desirable infrastructure services without the associated debt.

“...Public Private Partnerships are not, in general, an appropriate method of meeting Queensland’s infrastructure needs.”

This motive is certainly present in Queensland. In advocating the PPP approach, former Department of State Development Minister Tom Barton made the observation that businesses were unwilling to pay higher taxes and charges to fund additional services or new infrastructure. This statement is open to a variety of interpretations, but the natural reading is that PPPs provide a way of delivering infrastructure that does not involve higher taxes and charges. More generally, governments in Australia and overseas have seen private financing as a way of delivering infrastructure without incurring public debt.

This idea is false, but has survived repeated exposure and reputation over the past decade or more. Infrastructure services must be paid for, either through taxes or charges. If neither users nor taxpayers are willing to pay, then the services should not be provided.

The Secretaries of the Victorian and New South Wales Treasuries, both supporters of the idea of PPPs, have explicitly repudiated the idea that Public Private Partnership projects represent a way of funding infrastructure without incurring debt. On the contrary, it has been stated: (Little and Pierce 2002, p. 4) that “both NSW and Victoria do not regard the use of private finance or public-private partnerships as a means of expanding the overall level of resources available to it to spend on government-funded social infrastructure. Even though social infrastructure may be financed by the private sector, the government, through payments made through the contract’s life will ultimately fund it. These payment commitments are as real as those associated with servicing balance sheet debt and in the context of a government’s fiscal strategy, need to be considered in a similar manner.”

The key point, put more succinctly, is that Public Private Partnerships are “not a magic pudding ...PPPs/PFIs do not provide governments with an additional bucket of money for use on infrastructure projects” (Little and Pierce 2002, p. 10).

There is a place for public-private partnerships in complex and innovative projects where an appropriate allocation of risk requires continuing private involvement, but not in the routine provision of transport infrastructure.

Enron and off-balance sheet debt:

Governments are not the only institutions with a desire to minimise their recorded debt or a belief that financial innovation is the way to achieve this outcome. Before its recent, spectacular bankruptcy, the Enron corporation was nominated by Fortune magazine as ‘America’s most innovative’ for six years in succession. It grew rapidly to be the No 7 firm in the Fortune 500 (in terms of reported revenues) in 2001.

Enron attributed its success to two basic principles. The first was an ‘asset light’ approach. Whereas traditional energy businesses owned power stations, pipelines and transmission systems, Enron believed that a modern corporation should not be in the business of owning assets. This business was best dealt with through contracts with private partners (what might be called corporate-private partnerships).

The second principle was that of financial innovation. Enron’s army of lobbyists were vociferous in their claim that private-sector innovation would yield outcomes far superior to those achieved through public sector regulation, let alone public ownership.

Continued page 4
Infrastructure bonds....  
- Continued from page 3

In particular, Enron lobbied vigorously for the deregulation of the electricity industry in California and elsewhere. The system adopted in California reflected a compromise between Enron and established utilities such as Pacific Gas & Electric, which also went bankrupt last year.

A third factor in Enron’s meteoric rise, not publicly acknowledged until near the end, was the practice of shifting debt off the balance sheet through complex contractual arrangements. This practice was crucial in maintaining a strong credit rating, seen as a vital vote of confidence by Enron management.

In late 2001, Enron ran into financial difficulty, and shortly thereafter collapsed altogether in one of the largest bankruptcies in US histories. It is an illustration of the dangers of using cosmetic devices to conceal debt, public or private.

The case for infrastructure bonds:

Queensland has both the capacity to raise debt capital at low cost and a source of finance, the funds currently allocated to the fuel subsidy. It would be both natural and sensible to combine the two with a program of infrastructure bonds.

The idea is simple: The fuel subsidy would be phased out over a period of, say, five years, and the savings allocated to a special-purpose fund. Each year, new bonds would be issued, to be serviced by the funds saved from the fuel subsidy. Thus, the new debt would be matched to new net revenue.

At current expenditure levels and interest rates, the new revenue allocated to the infrastructure fund would be around $100 million for each of the five years, and this would be sufficient to fund interest and capital payments on around $1 billion in new infrastructure investment per year, for a total investment program of $5 billion. The funds could be used to finance investment in roads, and also improvements in other areas of transport infrastructure, particularly public transport that would help to relieve road congestion.

The case for using bonds specifically allocated to infrastructure, rather than general government debt, is primarily one of presentation. The option of removing the petrol tax subsidy is politically sensitive, yet past experience shows that motorists would prefer to pay more for roads and have the funds invested in improvements than to pay less for bad roads.

The prime example is that of the 3x3 program undertaken by the Wran government in New South Wales, which was a levy of 3 cents per litre, initially for a period of 3 years, used to fund urgently needed improvements to roads. The combination of the levy and higher expenditure was popular, with the result that it was extended several times and eventually made part of the regular tax base.

“Queensland has both the capacity to raise debt capital at low cost and a source of finance, the funds currently allocated to the fuel subsidy...”

There is another presentation issue, associated with the adoption by state governments of policies requiring zero public debt. Such policies make sense as a constraint on governments seeking to use debt to finance current expenditure, but not when governments are undertaking large-scale investment projects that will generate future revenue. It would make sense therefore, to focus on measures of debt that net out income-generating infrastructure investments. In economic terms, this treatment would be consistent with the treatment of government-owned corporations, the equity value of which is subtracted from calculations of net debt.

Previous experience with special-purpose bonds:

The financing of public investment special-purpose bonds serviced by a nominated stream of revenue is relatively uncommon in Australia, but is commonly adopted in the United States, particularly by state and local governments.

At the local government level in particular, it is common for proposals involving the issue of bonds for a given investment and financed by an increase in property taxes to be put forward for public approval by referendum. Thus, although infrastructure bonds may be seen as ‘innovative financing’ in the Queensland context, they are not, like Public-Private Partnerships untried and untested innovations.

Australian Treasury departments have historically disliked the creation of special categories of debt and the ‘hypothesis’ of revenues (that is, the allocation of specific tax revenues to specific purposes), and it is possible that similar objections will be raised to a system of infrastructure bonds. However, as has already been noted, the treatment of infrastructure bonds proposed here is consistent with the approach adopted when infrastructure services are provided by government-owned corporations.

In summary, the idea of raising bonds for a specific purpose, such as investment in transport infrastructure, and allocating a specific revenue stream to service interest and capital repayments is well-established and well-understood, with a long track record. There is no reason why such bonds should attract a significant interest premium relative to ordinary state government debt.

Concluding comments

The question of how much should be spent on improving infrastructure in Queensland is ultimately a political one. The chance of achieving a satisfactory outcome is greater if the financing problem is addressed through a policy such as the issue of infrastructure bonds, whereby ‘what you pay for is what you get’, than through the opaque mixture of subsidies and contractual relationships that typically arises with a Public-Private Partnership.

John Quiggin is an Australian Research Council Federation Fellow, School of Economics and School of Political Science and International Studies, University of Queensland. He is also a frequent contributor to the Australian Financial Review and was recently named by Thompson ISI as Australia’s most cited economist.
while all State departments and agencies have an obligation to meet the infrastructural needs of an expanding population. Meanwhile, Treasury determines future funding priorities and our 125 local governments are responsible for planning within their local areas and, as in the case of Brisbane, tend to work with adjoining shires. In other words it would seem that there shouldn’t be any need for an “Office” of growth management in the form presented since it has all the hallmarks of a political response plucked out of thin air.

What’s missing is more fundamental. Unlike the other States, Queensland has no department of forward state planning responsible for making enforceable decisions about future land uses which transcend local council boundaries and concern the wellbeing of wider regional areas and the State as a whole. Issues like the overall adequacy of green space and scenic reserves, and the balanced distribution of population and regional economic development in the face of the increasing economic, social and environmental per capita costs of continuing centralisation in the south-east.

How and why this seemingly incredible hiatus has come about is more immediately important than debating the minutiae of the controversial Integrated Planning Act. Both are matters of history, and before too many long memories fade and disappear it may be timely to trace the origin of two features which are responsible for our present planning dilemmas. And identify a third.

History can be instructive, and sometimes surprising. For example, it tends to be forgotten that the 1970s and early 1980s were one of the most active and productive periods in the evolution of town planning in Queensland, notably during the term of the late discredited Russell Hinze as Minister for Local Government. “Big Russ”, who notoriously had difficulty distinguishing conflicting public and private interests (as did his Premier who hadn’t heard of the separation of powers under the Westminster parliamentary system), nevertheless played a positive and constructive role in the evolution of town planning law. Rather more so, indeed, than his post-1989 reformist successors. Hinze was an outspoken advocate of local government amalgamation and public participation, and his invitation to Queensland University’s Department of Regional and Town Planning to submit proposals for improved planning legislation produced a comprehensive submission which remains a lucid model to this day. Partly in response, the government introduced the 1980 amendments which provided for strategic and development control

IPA, in short, has been a nightmarish aberration and its absurdities are all but irremediable.
Qld Planning ....  
- Continued from page 5

plans and emphasised the importance of forward-looking statements of intent.

Earlier in the 1970s various back-bench members had demonstrated a well-informed interest in town planning, notably the so-called “Ginger Group” of Liberals who collaborated with Queensland’s professional associations in securing the enactment of the State and Regional Planning and Development, Public Works Organisation and Environmental Control Act – regrettably truncated later by the Bjelke-Petersen government – in favour of “more flexible” arrangements, and never actually used to initiate true state level planning. (Not that approval of town planning was universal. Hansard of 15 April, 1977 records a Coalition backbencher’s opinion that “town planners … are possibly the most serious cancer inflicted on local government by any government”).

The later 1980s, of course, were the heyday of the “white shoe brigade” and saw some of the worst examples of the Bjelke-Petersen government’s intervention in town planning. Not by way of deliberative state planning, but via ministerial rezonings and special acts of parliament promoting Sanctuary Cove and other “resort” developments. By then town planning law had become a clumsy patchwork mainly contained within about 40 pages of the Local Government Act (and a separate City of Brisbane Town Planning Act).

Nevertheless, its terminology was more or less intelligible and amenable to public and parliamentary debate. Fast-forward to post-1997 and the 400-odd pages of the Integrated Planning Act (IPA) are incomprehensible to the lay community – and even some of the lawyers practising in other branches of law. It would be a lone member of the Queensland parliament today who questioned IPA’s esoteric complexity and expected an informed debate. Unquestioned complexity has become self-perpetuating and is insulating a flawed planning system from parliamentary scrutiny.

In fact, a chance conjunction of circumstances have all become self-perpetuating. Following its election in 1989, the Goss government, whose pre-election promises had included reviewing the planning system and establishing a planning appeals tribunal, set up the Department of Housing, Local Government and Planning headed by the Deputy Premier Tom Burns. It seemed a promising start, except that Tom had a heart for housing, but less of a head for town planning. “Mexicans” were recruited from across the border, and lawyers and academic theorists got on the bandwagon and enthusiastically constructed a legislative edifice. But, incredibly, before superimposing new terminology and addition...

“Sadly, ever since 1997, an inflated planning bureaucracy has been preoccupied with process rather than visionary forward planning...”

al processes upon the pre-existing legislative framework, no one thought to start at the beginning and clearly identify the end objective.

More so than in the other States, Queensland’s local government councils have traditionally enjoyed a general competence power to make local laws and ensure “the good rule and government” of their areas. This general competence power arguably includes the power to engage in town planning, subject of course to state and federal laws and the policy requirements of state and federal departments. One would have thought that not all that much statutory paper would be needed to require all councils – with professional advice and guidance if need be – to have and maintain development plans, after first surveying their resources and consulting their communities about the agreed future character of their precincts and neighbourhoods (with a degree of technical sophistication appropriate to their geographic and demographic circumstances). A back to basics reform could have started with drafting the legislative essentials for planning in Barcoo or Boulia, and working up from there.

Yet, throughout the course of innumerable working parties, those who urged simplicity and focusing on essential planning and environmental principles were consistently outnumbered. Ironically, it was the environmental movement – pathologically distrustful of the development industry and suspicious of the relationship between town planners and developers – which pressed most insistently for more prescriptive controls.

Proposals for a planning appeals tribunal were abandoned. The legal lobby effectively snowed the government and convinced the minister that, contrary to interstate practice, the planning merit of all disputed development applications should be determined by lawyers in adversarial contests with all the costs and formality of a court of law (costs which virtually disenfranchise citizen objectors). In reality, of course, planning is concerned with the use of land and buildings at a given time. Not for all time, and not with questions of title, tenure, contracts or negligence. And the size of proposed developments is immaterial. Very few planning appeals involve genuine questions of law – or even require sworn evidence – though legal disputation can certainly be contrived if needlessly prescriptive procedures invite litigation about technical compliance.

In the event the 40 year-old Local Government Court (established because the Clem Jones City Council circumvented the then government’s rudimentary planning controls) was retained and renamed the Planning and Environment Court. Not surprisingly some of the consequences are incongruous. In the course of formal court proceedings extending over weeks (sometimes months), the “expert” evidence – retained at great expense by the contending parties, which is brought to bear on a single parcel of land, may well exceed in the aggregate the planning expertise expended by the respondent council on planning the whole of the relevant area. And, after the event, the transcript of hundreds of pages of verbatim expert evidence customarily ends up in the court’s archives. For 40 years Queensland has never known anything different.

The Goss government’s legislative proposals had a protracted gestation. PEDA (the Planning and Environment and Development
Assessment Bill) was overtaken by the 1995 election and its substance was reincarnated as the Integrated Planning Act (IPA) by the Borbidge government in 1997 (and subjected to innumerable amendments ever since). IPA’s basic concept of all development applications being initiated at a one-stop-shop local government level is laudable. So is the aim of integrating the policy objectives of State departments and agencies within the development assessment process (IDAS) – except that IPA’s procedural edifice doesn’t provide any way of coping with “state interests” without inflating council planning schemes into documents inches thick. Accentuated by current legislative drafting practice in Queensland, IPA’s processes and procedures are totally at odds with the planning realities of most of the State’s 125 local governments. Sadly, ever since 1997, an inflated planning bureaucracy has been preoccupied with process rather than visionary forward planning and progressively improving planning controls in the light of ongoing development assessment experience. As for State laws and departmental policies, one would normally assume that they would be accessible to and automatically binding upon councils and the development industry without incorporation in local planning schemes.

IPA, in short, has been a nightmarish aberration and its absurdiities are all but irremediable. However, arguing them sequentially would require an equally voluminous document. In one respect the solution lies – dare one say it – in taking town planning less seriously, but at the same time more realistically, by focusing on planning principles and substituting commonsense for needlessly prescriptive decision-making processes.

But an even more fundamental feature of the Queensland planning system has gone unnoticed which is particularly relevant to the critical situation in south-east Queensland.

Again, it’s a matter of history. Ecologically sustainable, economically and socially efficient and environmentally sensitive human settlements require spatial planning at all levels from the local level to the national. Historically, however, the spatial planning process tended to start at the local level, and in the English tradition spatial planning (the more appropriate German term) has been referred to as town planning. Thus in Queensland and in the other States basic legislation in relation to town planning focused on planning at the local level by local government councils.

In Queensland actionable, enforceable town planning (subject to a judicialised appeal system) has been accepted as a local government responsibility under the wing of local government’s own minister. But, given the relatively
Hidden Risk of Dangerous Goods

Are you operating illegally?

Some experts estimate that up to 50% of dangerous goods operators may be practicing illegally.

Did you know the storage and handling of hazard materials, motor vehicle workshops including routine servicing of commercial vehicles, commercial spray painting, scrap metal yards, concrete batching plants and the storage of 10,000 litres or more of crude oil or petroleum product are amongst a list of some 85 activities which may require an approval from the local Council, a building certifier, the Environmental Protection Agency (EPA) and possibly the CHEM Unit of the Queensland Department of Emergency Services.

These activities may be classified as Environmentally Relevant Activities (ERAs) which include a range of industrial, agricultural, infrastructure and sporting activities with the potential to cause environmental harm. A more recent classification is a Major Hazard Facility (MHF) which is typically a large scale and high risk industrial facility storing and handling hazard materials above a set threshold. These facilities are defined in the Dangerous Goods Safety Management Act 2001 and regulated by the CHEM Unit.

Many operators are unaware that simply increasing the intensity or scale of an ERA, such as increasing the quantities of hazard materials stored on site, even without any new building work involved, may require a new approval from the Council, EPA, CHEM Unit and building certifier, depending on whether the increase exceeds specified thresholds.

Are you aware of the penalties?

Significant penalties apply where operations are conducted without the appropriate approvals and licenses in place. Both businesses and individuals may be prosecuted under planning and environmental laws.

Operating without the required approvals in place or in breach of development conditions may also result in an unacceptable insurance risk to your business and potential breaches of Workplace Health and Safety regulations.

Are you aware of the proposed legislative changes?

The Environmental Protection Legislation Amendment Act 2003, which is expected to commence later this year, potentially widens the EPA’s assessment powers to re-examine your existing operations. Essentially, if you propose to expand an existing business classified as an ERA, the proposed new assessment powers will allow the EPA to re-start their assessment from square one with a fresh examination of the existing operations in line with current environmental standards.

The Act also proposes to remove the need to obtain a personal license (environmental authority) to carry out an ERA. While the benefits are claimed to be a single development approval for both the land use and operational issues, with the traditional second tier approval for the personal license being replaced by an operator registration, the registration will still require an application and fee. Also, this registration is intended to apply to all operators of both Level 1 and Level 2 ERAs, potentially increasing red tape and fees given the current rules only require a license for Level 1 activities.

How can you protect your business and yourself?

An audit can be conducted by a suitably qualified professional to determine whether your operations comply with the relevant development, planning and environmental laws and whether the appropriate development approvals, licenses and registrations are in place.

An audit will identify the need to upgrade existing facilities and/or operating procedures to meet the required standards. It will also identify any approvals, licenses and registrations required.

Want to know more?

Contact Jensen Bowers Group Consultants Pty Ltd
Specialists in industrial / dangerous goods approvals and compliance management.
Ms Natalie Rayment     Tel: (07) 3852 1771

jensenbowers.com.au
people creating places
greater powers historically enjoyed by local government in Queensland, this demarcation of planning responsibilities has acquired a certain proprietary sensitivity. This was reflected in the “protocol” signed by the Goss government in 1990. There would be no over-riding State planning agency superimposed upon local government like the State Planning Authority of NSW which Queensland local government representatives strenuously opposed as a bogey to be rejected at all costs. Such a protocol impliedly conferring equal negotiating status may seem curious, given that local government owes its very existence to State statute.

As a consequence, for the 14 years since 1990 the planning of the rapidly growing south-eastern corner of the State has been represented by “regional frameworks for growth management” which expressly rely on “voluntary cooperation” by the region’s constituent councils – councils with their own local agendas and whose councillors in some cases have a personal interest in promoting more residential and rural residential subdivision. Regional research was assembled by regional committees and dedicated community volunteers, with assistance from the minuscule SEQ unit within the Department of Local Government and Planning and from representatives of various other departments. But the end objective was not a binding regional plan with any statutory status. All IPA says about regional planning is contained in a couple of pages which say that the minister “may establish regional planning advisory committees”.

In the event, local government in Queensland escaped subjection to a State regional planning authority. Ironically, in respect of local planning, councils have been subjected instead to an incredibly staff-intensive requirement to prepare “IPA-compliant” local planning schemes.

That town planning has been traditionally associated with local government and regarded as one of its responsibilities is not significant in itself. What is fundamentally significant, however, is that in Queensland, unlike the other States, planning has been regarded as an exclusive local government responsibility and, inferentially, not a State responsibility.

Many present generation town planners are probably unaware of the significance of this. Almost certainly no members of today’s Queensland Parliament are cognizant of it. It’s the ultimate explanation of State governmental paralysis in the face of the obvious need for decisive State action in south-
Qld Planning .... - Continued from page 9

east Queensland. It’s why one despairs at the government’s announced retention of a Department of Local Government and Planning (headed by a junior minister) and the delegation of state planning responsibilities to a mere “office” within the Deputy Premier’s Department. The State government is the State’s planning authority – not a detached bystander.

Thus two fundamental features bedevil the Queensland planning scene: the self-perpetuating unintelligibility of the Integrated Planning Act which is frustrating in-formed community and parliamentary debate; and the entrenched but constitutionally absurd reluctance of State government to recognise and exercise responsibility for planning at a state and regional level.

Whether a re-elected government with a massive majority will address (or even understand) these fundamental issues remains to be seen.

Compensation Payments/Betterment Levies

There is, however, a third issue – not unique to Queensland – which is frustrating effective planning Australia-wide. It centres around the twin problems of compensation and betterment, problems long recognised by town planning theory but imperfectly addressed in practice.

That massive land value profits are fortuitously conferred on private landowners by public decisions permitting more intensive use of their land (as well as by the extension of taxpayer-funded infrastructure, especially railways) has been acknowledged ever since 1788. Indeed, ever since the feudal obligations which made the possession of land conditional upon the contribution of services to the defence of the realm were avoided by the baronial elite in the later Middle Ages. Over the centuries this post-feudal sanctity acquired by absolute and unconditional land ownership has been such that capturing the unearned increment was statutorily guaranteed. A conservative government in NSW took the opposite view in 1972. IPA is less specific.

The converse of betterment, equitable compensation of landowners whose properties have been devalued by public decisions, has been equally elusive. Possible liability for compensation has often deferred councils from making otherwise warranted planning decisions. In recent years tree clearing has sharpened the focus on compensation. A recent Department of Natural Resources and Mines paper has canvassed the scope for encouraging conservation through land valuation, arguing that, if the annually assessed value of cleared land for rating purposes was more than that of uncleared land, there would be an incentive to preserve vegetation.

The problem, of course, is that comparatively little public revenue is raised in Australia through municipal rates and land taxes. The incentive impact of valuation differences would therefore not be significant.

A betterment levy operates in the ACT. Elsewhere in the post-war period the negotiation of contributions from developers (often arbitrarily and unpredictably) captured some of the betterment arising from development approvals (and negotiated contributions were largely responsible for the sewerage of Brisbane in the 1960s). But the rationale of developer contributions has been ambiguous and never explicitly related to land values. Queensland has been rather less enterprising than the other States, and certainly less demanding than English councils which extract “planning gain” for a wide range of community services and infrastructure. IPA provides for “infrastructure charges”, but in narrowly circumscribed circumstances; and the Beattie government recently refused to allow the BCC to require a proportion of low income housing as a condition of planning approval of more intensive development, as per the frozen West End/Woolloongabba Local Area Plan.

Congestion charges in the Brisbane CBD (in lieu of massive investment in tunnels whose efficacy will be negated if car-dependent sprawl is not curbed in the south-east) are likewise a legitimate form of community resources charge, but unless the logic of resources charges is better appreciated they may meet the same fate as contributions to affordable housing.

The ethics and constitutionality of capturing betterment are irreputable, and the prerequisite land valuation and assessment mechanisms have existed for years. But the nettle has never been unequivocally grasped, and betterment remains an untapped source of revenue in a State with a narrow revenue base forced to resort to disgraced devices like the ambulance levy on electricity consumers.”

...betterment remains an untapped source of revenue in a State with a narrow revenue base forced to resort to disgraced devices like the ambulance levy on electricity consumers.

Betterment, if it were recouped, could more than pay for compensation in circumstances where equity warranted it. It would, of course, be automatically captured and “worsen-ment” automatically compensated if a greater proportion of Australian public revenue were raised by charges on the possession and use of land and other natural resources rather than by taxes on income and socially desirable goods and services. Land value taxation (more accurately described as resource rental) is attracting increasing attention in the UK and elsewhere in Europe. But in federal Australia it would require a cultural mind-shift and an unlikely commitment to genuine taxation reform. Meanwhile, parsimonious compensation will remain a simmering grievance and, curiously, unrecognized by the environmental movement, the prospect of windfall land value profits will continue to frustrate the planning system by encouraging “development” regardless of genuine need or the environmental consequences.

In 2004 pretence, perversity and procrastination are alive and well.

Dr Phil Day is a planner and lawyer and a Life Fellow of the Planning Institute of Australia, as well as past editor of Queensland Planner.

© King & Co Property Consultants
It’s time to seriously consider the new Lord Mayor’s TransApex tunnel proposal

With the election of Campbell Newman as Lord Mayor, the BCC and its constituency have a mandate to consider and, where appropriate, implement his two stage, $4 million five tunnel TransApex road infrastructure strategy. Although King & Co has some serious concerns about certain aspects of this proposal we appreciate its attempt to position Brisbane’s transport needs within an overall, “big picture” manner instead of the more limited, albeit less costly, offering promoted by the previous Lord Mayor.

We also support Newman’s apparently diminished support for Public Private partnerships as a funding model, reservations similarly voiced by Terry Mackenroth, Queensland’s Treasurer and head of the new Office of Urban Management and Infrastructure Coordination. How these tunnels are to be paid for is, of course, the question of the day, though we suggest Newman and his advisors read John Quiggin’s article in support of Infrastructure Bonds found elsewhere in this publication, particularly since a voiced $2 tolls per segment together with reliance on Federal/State funding most likely press against the boundaries of optimism.

Meanwhile, we’re proud of the fact that tunnel proposals from both sides of the political aisle are firmly grounded in our original concept, first mooted in 1999 in the pages of the King’s Counsel. That being said, possibly now is the time to recap the physical elements of what we’re being asked to consider.

1. East-West Distributor: A 5.8 km, four lane tunnel linking Logan Road and Old Cleveland Road at Stones Corner, the SE Freeway and Ipswich Road at Woolloongabba and the Western Freeway at Toowong. It should be noted that there are some community fears that this would cause the resumption of the Stones Corner Hotel and its surrounds.

2. North-South Distributor: a 5.7 km, four lane tunnel running under Main Street and the Story Bridge, linking Ipswich Road, the SE Freeway, Logan Road and Old Cleveland Road with Bowen Bridge Road and the Inner City Bypass at Bowen Hills. This was the option first proposed by former Lord mayor Jim Soorley and clearly has bipartisan support, though little is known about Newman’s position on the second and third stages of this project.

3. Northern Link: a 3.6 km four lane tunnel connecting the Western Freeway with the Hale Street Inner City Bypass route. It will also serve as a link between the East/West Distributor and the North/South Distributor, completing, says Newman, “Brisbane’s first inner ring road system.”

4. Hale Street/South Brisbane Connection: a 600m, four lane tunnel linking Hale Street with Merivale and Cordelia Streets at South Brisbane. Newman says it “represents a pre-emptive move against an expected growth in traffic in the area caused by the West End Urban Renewal Program” (and, we suggest, lead to some interesting political responses in this very activist precinct).

5. Kingsford Smith Drive Duplication: Known as Stage Two of TransApex, this consists of an $800 million 3.9 km tunnel linking the Inner City Bypass at the Breakfast Creek Hotel with the new alignment of the Gateway Arterial Road. It’s stated purpose is to “ensure that each of the City’s main arterial roads is directly connected to the inner ring road system.”

All we need now is a cross River tunnel from Eagle Farm to Bulimba (West Curtis Avenue to Wynnum Road) and another from Dutton Park to Coronation Drive via the University. The former would not only ease traffic congestion but possibly drain off enough cars from the Gateway Bridge to make a $1 billion duplication unnecessary, while the latter would overcome most concerns surrounding the Green Bridge and, at the same time, provide a much needed linkage from the southside to the City.
Suburbs....
- Continued from page 28

Boundary Road is reportedly under contract for around $22 million, a property bought for $4.45 million just seven years ago. If true, it will soon have a significant mixed use impact on the area, primarily as residential.

Woolloongabba is seeing owner/occupier demand go through the roof and although prices are going up to match this level of interest, property here is still cheaper than in the West End or South Brisbane. That being said, the prices being paid for some properties not designated MP3 are more driven by emotion, the prospect of higher interest rates, and the desire to not “miss the boat” than realistic, professional valuation.

Activity in the area includes the old, now leveled site at the corner of Deshon Street and Logan Road, which is reportedly under contract for $10 million and earmarked for mixed use development; and a 1,000m² car dealership office/showroom/warehouse on 2,650m² of land at 220 Logan Road recently sold for $2 million to an investor influenced by this street’s continued evolution into an “auto row.” With the completion of the new Nissan dealership, Ipswich Road has become even more highly sought after for car yard use.

“...there’s been a slowdown in commercial property sales due, not only to a limited amount of stock, but because some vendors are holding out for unrealistically high prices.”

In East Brisbane two excellent office/warehouse refurbishments are for sale at 179 and 183 Wellington Road. Ex Priestly’s Fine Foods properties, they sold together at auction last year for $1,080,000. There’s also the construction of the retail/office/residential complex at the corner of Lytton Road and Manilla Street.

With land running out in alternative industrial suburbs, the big question is: Where are the businesses going to go when they’re forced out of these traditional industrial streets by residential encroachment and new neighbours complaining about the noise?

Gold Coast Corridor, including Slacks Creek, Kingston, Yatala, Stapylton, Ormeau and Loganholme

Sales & Leasing: Paul Dugan

Like elsewhere in Brisbane, the Gold Coast Corridor is suffering a lack of industrial land and, as a result, has seen an escalation of cost per square metre. This shortfall and upward price pressures should, however, be alleviated somewhat by a number of estates that will be coming on line during 2004, or have recently done so.

Continued page 13
One example is the 15 allotment Stapylton Industrial Park at 55-65 Christensen Road, Stapylton, where the developer is looking for D & Cs and, eventually may consider land sales. Costs are yet to be determined but it’s being marketed for users needing 5,000m² and 30,000m². Another source is in the Telfords Building Systems’ Lions Park Industrial Estate in Yatala, while another is the 40 allotment Insight Industrial Park to its south.

Meanwhile, Property Solutions’ $30 million, 53.82 ha Access Business Park has been approved by the Gold Coast City Council (GCCC) and will comprise a 53 lot subdivision at Stanmore Road. Stage One will consist of 40 lots and Stage Two will feature 11 lots, a rural zone lot and 4.25 ha of parkland along the Albert River. The proposed development, near Yatala Pies, will provide lots ranging from 2,500m² to 16,020m² and, says the GCCC, “form an important nexus between” the Lions and Insight industrial estates.

According to the GCCC, “the plan involves the creation of an industrial collector road onto the Stanmore Road and Elderslie Road roundabout. In addition, there’s to be a loop road or industrial access street from the Stanmore Road frontage round the site to the Albert River Parkland connecting to the Old Pacific Highway road reserve. There will also be direct frontage to the Gold Coast rail line.” The site was once a primary area of the Food and Produce Precinct in the Yatala Enterprise Local Area Plan. It’s assumed this development will do quite well if the success of Property Solutions’ 34.7 ha, 3 stage Motorway Business Park, Ormeau, is any measure.

Elsewhere in the area, there have been a number of sales 4 ha allotments of Future Industry land on Burnside Road, Stapylton, with one parcel going for $1.75 million and another for $1.8 million. Rezoning of this precinct from rural residential to industrial means that the remaining large tracts of home sites will also be absorbed by developers or owner/occupiers.

1,000m² or so freestanding industrial buildings in Slacks Creek continue to receive high demand, so the remaining stock of this size should sell over the next few months, examples being 10 Ferguson Street and and 33 Randall Street. Vacancy rates are low for rental stock of all sizes, even the smaller, strata titled units that historically have been the

Woolloongabba is seeing owner/occupier demand go through the roof and although prices are going up to match this level of interest, property here is still cheaper than in the West End or South Brisbane.”

HELPING YOU MAKE THE RIGHT DECISIONS

We provide valuation and expert advice in the following property sectors:

- COMMERCIAL
- RETAIL
- INDUSTRIAL
- RURAL
- RESIDENTIAL

Our services can be provided on the basis of Mortgage Security, Asset Valuation, Pre-Purchase, Litigation, GST, Capital Gains, Insurance, Acquisition.

Contact us today for the peace of mind & reassurance you deserve in making all your property decisions.

COMMERCIAL
Brisbane 07 3210 3000

RESIDENTIAL - BRISBANE NORTHSIDE
Mc Dowall 07 3353 7500

RESIDENTIAL - BRISBANE SOUTHSIDE
Upper Mt Gravatt 07 3347 1600
Suburbs.... - Continued from page 13
most available.

Rental activity in Loganholme is centred around Monty Khoury Drive and Cairns Street, where, for example, IKEA and Harvey Norman, respectively, have taken up buildings for customer pick up/warehouse overflow that will service their retail outlets nearby. A number of other bulky good stores are reportedly interested in following this trend.

Port of Brisbane, Hemmant, Tingalpa and Mansfield
Sales: Ron Simes
Leasing: Doug Thorn

While stock has been selling well, a shortage is taking hold because it’s not being replaced, mostly due to developers’ ever tightening margins as land and building costs escalate.

In Hemmant, the last strata titled units have been sold, apart from some at Roebuck Street, which are really for rent, and two expensive ones at 24 Violet Street. Despite relatively high prices being obtained, ($1,250/m² for 3 units at London Close) they will, in retrospect, seem cheap when compared to what the costs will rise to in the near future.

Recent transactions include the sale, for $300,000, of a 200m² unit in a Violet Street triplex, with the remaining two leased for $95/m² and 3,200m² office/warehouse at 40 Aquamarine Street, which was sold at auction after intense bidding for $2,350,000. It’s on 10,140m² of GI land, was bought by a local developer, and features a 100 tonne weighbridge, washbay, natural gas, two street access, ample car parking, 4,000m² of concrete hardstand and ample three-phase power. Also in Hemmant, the Global Cement Building on Gosport Road sold for around $2 million and included an 8 year tenancy, while a refrigerated building at 48 Anton Road was purchased for around $2 million on a yield of 9% and also had an 8 year lease.

Tingalpa and Wakerley have seen similar high demand result in a shortage of unit stock, and what’s available are the three remaining in Property Solutions’ 20+ unit Manly Marine Road on Manly Road. This activity is highlighted by the quick sale of a front unit on a net yield of only 7.6%. Freestanders are also scarce, made more so by the sale, for $2,170,000, of a duplex at 1343 Manly Road. Half of it is leased for 5+4 years to Biesse, an Italian company that manufactures machinery for the production of wood furniture and stone products.

Mansfield has only one listing, a strata titled unit on the market for $350,000. Recently an 8 unit complex at 39 Secam Street did sell for $2,450,000, however it was this tightly held suburb’s only major transaction.

“...this area is also seeing commercial property coming back into its own...”

It’s hoped that the lack of stock throughout the precinct should be eased somewhat once Pradella’s Port Link Estate on Lytton Road, Hemmant, comes on line in the next year. It comprises 19 blocks from 2,500m² to 8,500m² and is primarily envisaged for D & C use although some blocks have been put on the market on an Expression of Interest basis.

The area’s smaller rental stock is also drying up as many are converted to owner/occupation and fewer tenants seem to be looking for larger units. New tilt slab office/warehouses, meanwhile, are successfully renting for $100/m² to $115/m², eg Pacific Properties’ complex at 140 Weeks Road, which comprises units from 200m² to 600m². Large metal clad buildings can be had for as low as $65/m²-$70/m², one example being a 3,000m² structure at 84 Gosport Street, Hemmant.

After a $10/m² rent increase over the last half year, the next six months should see many wait and see if land prices remain at that level ($150/m² to $200/m²) and if strata titled units can still be picked up at the present, scarcity driven, $1,500/m².

Bulimba, Morningside and Murarrie
Sales: Ron Simes
Leasing: Rob Finlay

Bulimba, as has been the case during the last few years, has become basically residential, with only a couple of older style industrial properties available, and they’ll eventually be converted to residential use.

Most of Morningside’s strata titled investment unit stock has been sold, including Revon King’s Eastgate on Lytton Road and Big Country’s Beverley Chambers on Beverley Street. Similarly, the Colmsee Corporate Park has seen a good success rate for smaller units at prices up to $1,800/m². Presently it has four available for sale in the 400m² to 700m² range and marketed for $1,500/m² to $1,600/m². Remaining stock is being held by the developer for leasing.

Murarrie has little new industrial stock for sale and not much is anticipated in the near term. Indeed, everything has been taken up in Metroplex, save for the unit complex being developed by Nic DeLuca at Metroplex Place...and that’s 95% sold out. Adding to this scarcity, a second hand, 5 year old, 1,250m² unit at Miller Street was sold for $1.15 million, while a duplex at Alexandra Place was purchased for $1,200/m² and a freestander at 54 Alexandra Place went for $2.5 million.

Easing the pressure somewhat, but not enough, two complexes are to be started during the next few months: GM Properties’ seven strata title units at 109 Riverside Place, each 250m² and going for an average of $1,500/m², and six 180m² units at 54 Steel Place at sold for $1.5 million, while a duplex at Alexandra Place was purchased for $1,200/m² and a freestander at 54 Alexandra Place went for $2.5 million.

The rental market is also seeing a lack of supply and higher rates, precipitated and sustained, in large part, by spec builders unable to find cost effective land, a factor which will probably get worse in the year to come. Underlining this point, 18 months ago land in here area could be bought for around $100/m² to $130/m², but has since gone up to $200/m² to $240/m². Combined with higher wages and a significant increase in demand, building costs have risen by over 40%, leaving developers with unworkable margins.

Continued page 16
Why do lawyers tell buyers to take out insurance before they have paid for the property, why do almost all contracts say that the property is at the buyer’s ‘risk’ and what does ‘risk’ mean?

Although a contract for the sale of land may be subject to some conditions like finance or due diligence, it is nevertheless a concluded agreement to transfer title from one person to another. The agreement to purchase the property is complete and it is only the payment of money and formal transfer of the legal title that has been deferred. In retail terms, it’s like ‘buy now, pay later’. The seller really just maintains physical possession and retains legal title to the property until the purchase price is paid. The seller could be described as a type of trustee for the buyer until the purchase price is paid. It follows that because the purchaser takes the property as at the date of the contract, he is responsible for it from that point on. In other words, the risk of damage or destruction to the property is his after the contract is signed.

A practical example may be the sale of a property comprising of land and the building on it. If the building is destroyed after the contract is signed but before the purchase price is paid, the buyer cannot avoid the contract. His decision to defer payment of the purchase price until a later date is not the seller’s problem. If the building was undamaged when the buyer contracted to buy the land, he cannot complain that the building was destroyed by the time he was to pay the purchase price.

Of course, the seller does have some obligations to the buyer. The seller is obliged to take reasonable care of the property and he will be liable for wilful acts or his own negligence. He can’t for example change high quality fixtures and fittings for cheap ones and in some cases may be liable for the actions of his tenant or of burglars. But that is about the extent of it.

So the answer to the questions is relatively easy. The contract says the property is at the buyer’s risk because a contract is a concluded agreement, a complete deal, with payment of the purchase price and transfer of the legal title merely delayed. It makes sense then that the buyer should have his own insurance for the property he has contracted to buy.

Now it may occur to some people that in most cases both the buyer and seller will have their own insurance prior to payment of the purchase price. So should the buyer really bother to take out insurance? The answer is a resounding yes!

Even if the seller has an insurance policy in place, the buyer cannot necessarily rely upon it. At law, the sale of land does not include a transfer of the seller’s insurance to the buyer. Insurance contracts can be like any other types of contract; you may not be able to rely on them if you are not a party to them. Accordingly, the buyer cannot normally rely or claim upon the seller’s insurance because the buyer is not a party to the policy or is not included in the policy’s definition of who can make a claim upon it.

For many years, governments of different persuasions and levels have tried to help out buyers, but their efforts have had limited success:

- Federal legislation allows a person to claim on an insurance policy where they are not the insured party but are listed as a person for whose benefit the insurance policy is held. Banks often rely on this provision by having their details recorded on your insurance policy as the mortgagee. In some commercial property transactions the seller may agree to have the buyer noted on the insurance policy as a beneficial party and to maintain the policy of insurance. Such a contractual provision is only likely to be included where solicitors are consulted before the contract is signed. In practice, this does not always happen.

- Federal and State legislation separately attempt to give a buyer the ability to call or rely upon the seller’s insurance proceeds. Unfortunately, all of the provisions assume and depend on the seller actually having insurance. Once again, the seller is not compelled by law to insure his property. Furthermore, if the seller does have insurance, the insurance moneys must be paid to or as the buyer directs before the buyer has paid the seller the purchase price. If the seller receives the purchase price, he has suffered no loss and the buyer cannot seek payment on the seller’s insurance for a loss the seller never suffered.

In summary, although there are mechanisms and legislative provisions available that a buyer can attempt to rely upon to receive the proceeds of the seller’s insurance, they only work prior to the purchase price being paid. They also assume that the seller has insurance but the seller is not required at law to have insurance.

It is therefore for three very important reasons that a solicitor will tell a buyer to take out insurance:

- The property is at the buyer’s risk from the contract date;
- The seller is not obliged at law to have or maintain an insurance policy; and
- If the seller has insurance, it is often difficult and sometimes impossible for the buyer to rely upon it.

This article is for general information purposes only; it is not a substitute for legal advice. Readers are encouraged to seek formal legal advice.

About the Author

Les Power is an Associate of William R Wilson & Associates. He practices in commercial and general civil litigation and employment law.
Suburbs....
- Continued from page 14

This scarcity of stock has, of course, forced many tenants to stay put and become subject to a vendor’s market. For example, since mid 2003 rental rates have gone up as much as $10/m², with $125/m² achievable for smaller modern units and $80/m²-$95/m² for larger...prices that will just get higher without an infusion of additional options.

As to the more distant future: Queensland’s State Government is preparing to sell its 5.79ha ex-Bulimba A Power Station on Parina Rd, Murrarie, for industrial development, while the the 21 ha Mobil Oil Australia property at 506 Lytton Road, Morningside, is in the land remediation stage, the period before infrastructure is installed and its sold to a developer for industrial subdivision. In addition, the Rivergate Marine and Industry Park, is receiving considerable enquiry and will eventually provide a major marine industry precinct comprising a marina, boat builders and associated industries. The latter is part of the Department of State Development’s 30 ha Murrarie Industrial Precinct, the site of a former abattoir.

Meanwhile, it’s been suggested that owners who are “land banking” industrial zoned land in this area, and there’s apparently a good number of you, should be encouraged to do us all a favour and put them on the market.

Fortitude Valley and Newstead
Sales: Lex Duncan
Leasing: Richard Hall

The depletion of industrial stock in the Fortitude Valley precinct continues unabated, with, for example, Berwick Street now 50% residential and heading towards 100%. As before, prices have been skyrocketing, driven, in part, by the hype surrounding James Street. That being said, this area is also seeing commercial property coming back into its own, as potential purchasers start to realise that it’s a more cost effective investment to buy a million dollar industrial property at a premium price and spend, say, $250,000 fitting it out for very rentable office use, than it is to pay the same high price but be compelled to commit $350,000 to fit it out for residential, cases in point being a 764m² building at 119 Robertson Street and a 700m² one at 135 Robertson Street.

The area from Gregory Terrace to St Pauls Terrace is just starting to come into its own regarding industrial to residential conversion. While not providing any competition to James St, as was once touted, there’s a 75 unit residential development under construction at the corner of Costin Street, Gregory Terrace and Anderson Street.

In Newstead the 19 ha ex-Boral site, known as Newstead “...an estimated 15% of all industrial, retail or commercial buildings in this precinct have an ‘above store’ residential component”

Riverpark, is well underway, although construction of the 1,000 apartments and their commercial/retail components planned for the development can’t begin until remediation/decontamination work is finished, possibly as early as 8 months from now.

Once completed, there should be significant impact on the area between Longland Street and Commercial Road, at the northern end of the project. This will take the form of massive conversion of existing industrial/commercial buildings to retail, a movement that has already started at the corner of Masters and Longlands Streets, where an older industrial shed was transformed into a Rugs A Million outlet. In addition, it’s thought coffee shops and similar amenity will spring up along Longlands Street. As might be expected all this activity has led to higher prices.

It might also be noted that an estimated 15% of all industrial, retail or commercial buildings in this precinct have an “above store” residential component.

Bowen Hills and Albion
Sales: Lex Duncan
Leasing: Richard Fox

The recent popularity of Bowen Hills has driven up the price of land even beyond the 15% increase created by the finishing of the Inner City Bypass. Needless to say, the cost of buildings has also risen. For example, an office/warehouse at 12 Thompson Street sold for $730,000, then came back onto the market three months later for $820,000. As in the past, there are comparatively few opportunities in this suburb since much of its stock is tightly held.

Jeays Street, until recently hamstrung by problems concerning a nearby low cost housing complex, has overcome that issue and is starting to regain it reputation as one of the best industrial streets in the area. Unfortunately, only one lease and no sales have taken place recently so there’s little way of telling how this positive turn of events has effected prices or rates.

While there’s considerable speculation about the future of the Albion Park Raceway, Albion, even if it’s left untouched there’s still going to be significant residential conversion in the industrial area around it during the next few years, making this precinct one of the best places to invest. Indeed, a 1 ha industrial site was bought recently and an application has been submitted to the BCC for multi-storey residential use.

Rocklea, Archerfield and Acacia Ridge (Achievement, Success and Colebard Streets)
Sales: Gary Wallace
Leasing: Daryl Sluggett

Supply of all forms of industrial stock for sale in this older south-side precinct is at its lowest level in a decade, a situation sustained by ever increasing demand, building costs rising up to 40%, developers unable to find margins of profit to make construction worthwhile and continued land banking by vendors waiting yet higher prices.

Of particular note, a lack of subdividable land has been made even worse by the sale of the last remaining parcel in the Walker Corp development at Boundary Road, Archerfield, and the purchase of a 6,000m² block of land at Stockwell Place, also in Archerfield.

Indeed, many parcels in the former development were sold off the

Continued page 17
Suburbs....

- Continued from page 16

plan even before BCC approval, and at prices hovering around a benchmark $150/m². Similarly, the parcel at Stockwell Place sold for $150/m²; a price that would have been $120/m² less than a year ago.

Investors are also finding stock difficult to obtain and have become willing to pay top dollar for anything that even remotely displays some form of security or has special benefits like cranes, room for expansion or a larger yard area than normal.

Unit vacancy has decreased and although 40 new ones will shortly come onto the market they should be absorbed quickly. Meanwhile, although 40 new ones will shortly come onto the market they should be absorbed quickly. Meanwhile, some big companies are said to be scouring the area looking for any chance to expand.

The leasing market has also seen a dramatic reduction in availability as an expanding service sector demands ever more floor area, particularly for buildings in the hard to find 2,000m²-6,000m² range. Surprisingly, this shortage has, for the moment, caused minimal rate increases since many of the larger tenants have let it be known that they’re under pressure to contain costs. As might be expected, this stance has made for inevitable tensions between owners and tenants, with the former not wanting to rent too cheaply.

“Investors are also finding stock difficult to obtain and have become willing to pay top dollar...”

without reviews that factor in potential price rises in the surrounding market and the latter fear being locked into costly lease terms should the market turn or their businesses take a hit. The best guess is that landlords will win out and rates are due for an increase.

There are still a few smaller strata titled units available for rent from $80/m²-$100/m², with some new developments soon to come on line. These include up to ten 200m² to 600m² units at Mortimer Road, Acacia Ridge, which can be occupied for $100/m²+, while six units are going up at Stockwell Place.

Next year should also see the freeing up of secondary stock as some transport companies choose to consolidate or rationalise their businesses. A good number of these firms are finding traffic problems and infrastructure shortfalls increasingly untenable in the Archerfield area around Boundary and Beaudesert Roads, with some saying they’ll think twice about moving (or staying) here. While high demand presently offsets these complaints, the suburb’s future will be problematic if this issue is not attended to quickly, particularly in regards to the much needed connecting road through the airport as well as various flyovers and road widenings. On that note, the BCC has just promised a $10 million Balham Road connection and upgrade at

Continued page 18
Suburbs.....

- Continued from page 17

getting heavy traffic off Rocklea’s Grandan and Riawena Roads, as well as committing an equal amount to a Boundary/Kelliher Road upgrade that is intended to fix the long standing bottleneck at this Darra intersection.

Meanwhile, transport and related businesses in the Brisbane Urban Corridor (BUC) are pleased that the State Government’s Department of Main Roads has publicly stated there will be no attempt to relocate industries in this catchment to the Australia Trade Coast or Ipswich. This was after concerns were aggressively raised last year by those most effected, including members of the real estate business like King & Co, Pradella and the Property Council of Australia, that the sub text for the BUC Study was the residential transformation of the five industrial suburbs of Acacia Ridge, Coopers Plains, Salisbury, Rocklea and Archerfield.

Sherwood Road, Sherwood, has become a magnet of interest since the Brisbane Markets in Rocklea has agreed to stay put. The result is that GI land prices along this route have almost doubled in one year and should escalate even further. Like in Newstead, it’s anticipated that industrial buildings here will eventually be converted into quality residential, a change that reflects BCC plans for the precinct.

Acacia Ridge, Coopers Plains and Salisbury

Sales: Dominic Condon
Leasing: Rod Hewitt

Since coming onto the market in September, 28 parcels of land have been sold to an even mix of very receptive developers and owner/occupiers in FKP Ltd’s 33 allotment, 120, 431m² Paradise Road Industrial Estate, Acacia Ridge, with the rest expected to be taken up by year’s end.

Buyers include Goya Developments P/L, which is presently constructing freestanding spec buildings on 4,708m² of land encompassing Lots 1 and 4, parcels it bought for $612,040 and $316,375, respectively. The remainder should see improvements underway once their Development Applications are approved by the BCC.

Allotments in the estate, formerly owned by Jimboomba Turf, range from 1,544m² to 1.5ha and have been selling for between $95/m² and $130/m². Rental rates for buildings due for completion in August-September, and ranging from 300m² to 2,000m², will be $100/m² to $115/m² for the smaller sizes, while those between 1,500m² and 2,000m² will achieve $90/m² to $95/m².

Paradise Road was developed in response to an extreme lack of serviced land or industrial building stock on the southside and has proven that pent up demand, high quality design, a lack of alternative stock, good access and astute marketing will always see a high level of sales or leasing activity, a situation that bodes well for nearby industrial estates in early stages of development, like those being presented by Australand up the road or Lang Walker’s next door. Indeed, both of these are said to already have pre-commitments and should be renting for $120/m² to $150/m² when they come on line later in the year.

Meanwhile, there continues to be a lack of rental or sales stock in secondary areas, leaving many to look for D & C opportunities, possibly in the Paradise Road Estate or along the Western Corridor.

Coopers Plains has seen little change as there’s not much stock available, save for some space in the seven unit Australand complex at the corner of Musgrave and Beaudesert Roads. Units here are up to 375m² and can be bought for $1,300/m²+, while a couple are available for lease at around $120/m². It’s said that this property is ahead of its time because not enough potential purchasers are willing to pay this high of an asking price until availability dries up even further... which it will.

Salisbury is starting to fill up, with the recently finished 1.9ha Phoenix Estate on Evans Road remaining as one of the only options. Its front buildings in particular have received much enquiry from companies being forced out of the traditional city fringe and need exposure plus a high office component. This site comprises office/warehouses from 255m² to 1,550m², however only structures between 780m² and 1,550m² are available as all of the smaller units have been taken up by owner/occupiers.

NRMA and an electrical products company have moved into Stage 2 of the 8 unit, Pradella developed Salisbury Corporate Estate at 121 Evans Road. They have located here because of its unusually high office component and are paying between $95/m² and $100/m². Neighbours include Coil Steels, Welded Tube Mills of Australia and Mayne Nickless.

Like the Acacia Ridge market, many businesses unable to find stock in Salisbury are waiting for Paradise Road to fully come on line later this year. Until that happens a number are choosing older stock, not only here but in Coopers Plains and Moorooka.

Although new stock is going for $85/m² to $100/m², when available, secondary counterparts are renting for as low as $60/m² to $65/m². The latter might seem cheap, but it should be remembered that it was going for around $40/m² a year ago, meaning now might be a good time to rent before rates go up even higher.

Carole Park, Darra, Richlands, Wacol, Sumner, Oxley, Redbank, 17 Mile Rocks, and Heathwood

Sales: John Fiore
Leasing: Ben Donnelly

The State Government’s Carole Park industrial estate is still tightly held with no vacant buildings for sale and little rental activity taking place. Indeed, the only land available in this development is within its 37.5 ha Synergy Park, where manufacturers can find a 33 lot subdivision with blocks from 4,500m² to 5 ha and prices between $75/m² and $110/m².

Darra remains highly sought after by industries being pushed out of their traditional city fringe locations. As with most other southside suburbs, there’s a shortage of

Continued page 19
new, vacant buildings for sale or lease since most land here tends to be tightly held by local developers looking for D & C opportunities. What’s available includes six quality office/warehouse units between 350m² and 566m² in Bob Tucker’s popular QCL Estate at 80 Ebbern Street, which can be purchased for $1,500/m² or rented from $100/m². There are also D & C possibilities within Stage 3 of the QCL Estate at the end of Limestone Street, in sizes from 3,000m² to 10,000m².

Richlands is similarly suffering strong demand and a lack of available stock. For example, John Nicholson’s seven buildings at 235-245 Orchard Road have all been leased up and nothing more will be available until 2005. Easing this pressure somewhat, a new development is coming up at 900 Boundary Road, where three units, totaling 2,500m², can be split into 2 or 3 tenancies and rented for $90/m².

Wacol has limited vacant buildings for sale or lease, a shortage that has seen Future Industry land prices rise by as much as 20% over the last year. For example, of the ten units at 17 Tile Street available for lease only 1 remains, a 400m² office/warehouse at $80/m². Westgate Street is also full, save for a number of D & C opportunities.

Richlands is similarly suffering strong demand and a lack of available stock. For example, John Nicholson’s seven buildings at 235-245 Orchard Road have all been leased up and nothing more will be available until 2005. Easing this pressure somewhat, a new development is coming up at 900 Boundary Road, where three units, totaling 2,500m², can be split into 2 or 3 tenancies and rented for $90/m².

Wacol has limited vacant buildings for sale or lease, a shortage that has seen Future Industry land prices rise by as much as 20% over the last year. For example, of the ten units at 17 Tile Street available for lease only 1 remains, a 400m² office/warehouse at $80/m². Westgate Street is also full, save for a number of D & C opportunities.

This two parcel site is expected to fetch more than $30 million and ultimately provide Brisbane with 87 additional hectares of land for industrial development.”

Meanwhile, four freestanders are going up on 11,000m² of land at 1472 Boundary Road. They’re 1,185m² each, have a huge shared concrete hardstand, and will be rented for 75/m² to $80/m². Some space is also available at Formation Street in the ex-Rocky’s Own Transport site.

As might be expected, there’s much anticipation regarding the Defence Department sale of its 107ha Wacol Army Barracks next to the Ipswich Motorway and another 137 ha site adjacent to and north of the railway line. This two parcel site is expected to fetch more than $30 million and ultimately provide Brisbane with 87 additional hectares of land for industrial development. Strategically located, the property could also allow improved access between Wacol and the Richlands Industrial Estate. It’s been reported that the Queensland Department of State development might acquire the Barracks solely or in joint venture with the Commonwealth.

High demand and a general scarcity of stock has pushed Sumner towards a strong resurgence of sales and leasing activity, particularly along Spine and Jijaws Street, which only last year saw a high level of vacancy and many

Continued page 20
Suburbs...
- Continued from page 19

depressed vendors and lessors. This turnaround is best reflected in the near complete absorption of various smaller units as well as a local developer’s commitment to build 21 units on the old John Holland site at 22-24 Jijaws Street. Buildings here will range from 64m² to 252m² and should be available by Christmas 2004. Rates are expected to be $144/m² for smaller units and $115/m² for the larger. The site was bought late year for $1.1 million and comprised 720m² of improvements on 8,000m² of land.

Oxley remains a small and tightly held precinct with no stock for sale and little for lease.

Demand for vacant industrial land in Redbank has spurred a local developer to subdivide an 8ha parcel at the corner of Smith Street and Montgomery Road into 16 lots from 4,000m² up to 15,000m². Fully serviced land is budget priced from $80/m² and, as a result, receiving strong interest.

Owner/occupiers looking to purchase larger facilities on the southside should take a look at several vacant 1,000m² freestanders on Seventeen Mile Rocks, now going for a relatively inexpensive $610,000 to $700,000. Prospective tenants can find a number of available properties on Counihan Rd or Seventeen Mile Rocks Road, but if they don’t mind a less accessible area or older stock there’s some ready to be rented at Staple and Hasp Streets...and probably more cheaply.

Delfin’s Brisbane South Industrial Park in Heathwood is offering D & C options from 4,000m² to 15,000m². Buildings presently under construction include a 3,001m² tilt panel office/warehouse with a large amount of hardstand at Lot 80 Stradbroke Street, to be finished in May and rent for $80/m² to $85/m², and a well exposed and highly accessible 3,350m² office/warehouse at Lot 27 Stradbroke Street, on the corner of Browns Plains Road, and able to be rented for $85/m². There’s also a 1,500m² office/warehouse due for an October completion at Lot 19 Moreton Street.

---

Pinkenba and Eagle Farm
Sales: David Fielding
Leasing: Richard Hall

Eagle Farm is suffering a scarcity of land, freestanders and smaller strata title units, primarily due to high demand from businesses forced to relocate from the city fringe as well as a lack of new construction. While land and freestander shortfalls have been an ongoing problem, once plentiful units have become unusually hard to find, eg. one year ago 15-20 were available but now only 10 or

“...even if you’re apprehensive about paying present, seemingly high, costs, get in now because they’re only going to get more dear.”

so are...and it’s expected to get dramatically worse.

As might be expected, this tightening of stock has led to enormous annual sale price increases and should continue to do so into the foreseeable future. Units, for example, have risen from $1,100/m² to $1,500/m² in the last two years, while land has jumped from $110/m² to as high as $250/m² during the same period. In other words, even if you’re apprehensive about paying present, seemingly high, costs, get in now because they’re only going to get more dear.

Although there’s a belief that demand will see these parcels of land, freestanders and small strata title units absorbed very quickly.

Other activities in the area, either present, or future, include plans for the duplicate Gateway Bridge, straightening of the Arterial past the airport, development of the five stage 240ha Brisbane Airport City next to the old airport, and the controversial 85,000m² Airport One retail centre, which is presently in litigation (although the new Lord Mayor has said this legal action will be dropped).

Meanwhile, FKP Ltd’s $70 mil-
**Suburbs....**

- Continued from page 20

price of new 260m²-960m² units in the Walker Corporation’s Paradigm Business Park on Newman Road.

Freestanders are also in high demand and short supply, a situation made tighter with the sale of the area’s last large one, a 1,200m² office/warehouse at 4/97 Delta Street that was purchased for $890,000. Indeed, none remain in this size except for 38 Vauxhall Street, Virginia and 23 Pineapple, Zillmere. As elsewhere in Brisbane, there’s also a critical shortage of investment stock.

In Brendale the 24 allotment Olympic Industrial Estate sold out in six months except for two lots of 1.3ha and 7,000m² each. With its severe lack of stock many who initially wanted to move here are now compelled to select Geebung and Strathpine instead.

The leasing market is undergoing similar availability pressures across the board. Indeed, just about anything with decent access and reasonable rent will be taken up quickly. Whereas one year ago prospective tenants had a number of choices, today’s market will see lessors in the driver’s seat, albeit with rate increases moderated by the strong owner/occupier market and tenants choosing to stay rather than relocate. Presently available stock can be found in the above noted Paradigm Estate and at 317 Bilsen Road, Geebung.

Banyo, Hendra, Nudgee and Northgate (east of Earnshaw Road)
Sales: David Fielding
Leasing: Richard Hall

While the rental market in these suburbs is similar to the rest of the northside, there’s still a few land sites available for construction, particularly at Buchanan Road/Huntington Place, Banyo, and Hendra around the airport. In addition, leasable larger buildings can be found in Banyo and those looking for units from 150m² to 1,300m² should check out Hendra. It might be noted that while the latter is receiving rents at a higher rate than ever seen before, only slight increases are expected in the near future.

The sales market in this precinct still suffers from a lack of supply for all types and sizes of stock. Land, when it does come on line for blocks up to 1 ha is going for $150/m² to $200/m²; secondary or B grade buildings have seen prices rise to $700/m² to $900/m², and new office/warehouses between 1,000m² and 1,500m² are achieving premium prices from $1,000/m. Needless to say, there’s a huge level of anticipation regarding the proposed 22 lots of Light and General Industry land.
Suburbs....
- Continued from page 21

expected to come on line later this year in the Grosvenor subdivision at the ex-Army barracks site off Crockford Street, Northgate.

Despite the above noted shortfalls, this precinct will continue to enjoy high popularity and demand because of its proximity to the Gateway Arterial, the airport and the CBD...and it actually has stock if you have the money.

Milton, Toowong, Rosalie and Indooroopilly
Sales: Warwick Edge
Leasing: Doug Thorn

Stock in Milton continues to be rapidly taken up by owner/occupiers, particularly those considering the suburb after suffering Fortitude Valley/ Newstead “stocker shock.” There’s also a new appreciation of how close it is to the CBD and Inner City Bypass, a view made even stronger by the conclusion of road works along Coronation Drive and the Lang Park precinct.

This resurgent interest has also created fewer vacancies and, in many cases, substantial sales price increases. For example six months ago unit 2 in Milton Village sold for $415,000, was resold a little later for $430,000, then on sold again for an even higher amount. Unit 20 Milton Village was purchased in 1995 for $360,000 and is presently under contract for around $500,000. Similarly, a 650m² building at 239 Milton Road went on the market 10 months ago for $1.2 million, was leased at $103,000 pa plus signage, then recently on sold for a substantially higher price.

This scarcity of stock with owner/occupier potential is especially severe for units between 200m² and 300m² on either side of the railway line, however those looking to buy quasi retail space can find a couple on the mezzanine level of Savoir Faire. A little further away, there’s also a 1,200m² unit available in the Lang Business Park and a couple of smaller units can be purchased nearby.

There’s not much available for rent in the small unit market either, and what exists is usually office space. The average rate is $110/m² for office/warehouses on the Lang Park side of the railway line, $150/m² on its Park Road side and up to $225/m² for commercial. Because lessors are still just happy to have tenants, rate increases should remain at a moderate level.

Meanwhile, many large developments in the pipeline are still on hold until the Milton Local Area Plan (LAP) is adopted by the BCC and State Governments. It was frozen last year by the latter over the issue of an Affordable Housing Levy and still hasn’t been resolved. The most high profile project to bear the brunt of this impasse is Forrester Kurts’ mixed use development above the Milton Railway Station.

Toowong has little stock for rent or sale, while Rosalie has nothing on offer. In Indooroopilly Consolidated Properties is in the process of building a supermarket/specialty shop complex at Coonan Road, while two office buildings are for sale on Station Road and a development site has just been purchased opposite the Shopping Town, possibly for an eventual mixed use development.

Yeerongpilly, Yeronga and Moorooka
Sales: Gary Wallace
Leasing: Daryl Sluggett

Sales activity has increased in these southside suburbs, largely because stock is still available, buildings can be had with a larger than usual office component and a relatively close proximity to the CBD makes them ideal areas to relocate for many businesses being forced out of the West End and other City fringe locations undergoing a transition to residential.

The most prominent example took place in Yeerongpilly, where, after a period of intense bidding, Brisbane personality Bill Siganto successfully auctioned off his 4,770m² redevelopment site at 747 Fairfield Road for $1.120,000. He intends to pull down the existing 1,800m² office/warehouse and build nine smaller office/warehouse and commercial strata titled units. These will be ready for occupancy by mid 2004 and should be quickly taken up as units of this type and size are in great undersupply.

Indeed, space in this development is expected to be sold or rented for benchmark prices once it’s completed and marketed.

Elsewhere in Yeerongpilly, a 578m² freestander at 31 Ethel Street was sold for $610,000, only 3 weeks after being listed.

Just up the road, Yeronga is taking the overflow from companies unable to find larger quarters in Yeerongpilly and, as a result, has seen prices reflect a seller’s market. A case in point is the purchase of a 590m² office/warehouse at 127 Hyde Road, whereby an expanding, Yeerongpilly business paid $670,000 for a 15-20 year old building in order to get the size facility it needed.

There’s still some secondary stock for sale in Moorooka and a limited amount of rental vacancy. As in the recent past, anything in the “Magic Mile” strip along highly exposed Ipswich Rd is taken up immediately, one example being a 299m² office building at 952 Ipswich Road, which was quickly bought by a printing company for a healthy $480,000.

Kelvin Grove, Newmarket and Stafford
Sales: Gary Wallace
Leasing: Richard Fox

Tightly held Kelvin Grove saw only one industrial property sold, a 505m² office/warehouse on 783m² of land at 25 Bishop Street, which was bought by a construction company for $670,000. Similarly, there was little leasing activity, eg a 318m² office/warehouse at 333 Kelvin Grove Road was rented by the Big Red Shed for nearly $24,000 per annum, after having spent only two months on the market.

Newmarket has seen no sales transacted due to a lack of available stock, however Stafford has enjoyed sales along Billabong and Windorah Streets, with the latter including a Blair Gamble development that saw five of its seven units bought by one person.

It’s assumed much of this activity is in anticipation of a Bunnings Hardware under construction, the completion of which should drive up sales prices and rental rates and lead to the renovation of many of this suburb’s tired buildings.
This is welcome news. The southeast has waited a long time for a planning framework capable of managing effectively what are likely to be some of the highest regional population growth rates in Australia during the next decade or so. It cannot wait much longer for action if the region’s much celebrated virtues – its liveability and wondrous natural landscapes – are to be preserved in the face of the coming ‘growth storm’. Change is happening now: promises are being made, deals signed, applications lodged, and lobbying applied to secure major new land developments. It’s imperative that the State moves quickly to intervene in and redirect the flow of regional development towards sustainable ends.

Institutional Virtues

There are three necessities for urban growth management in southeast Queensland: power (direction and clarity); partnership (constant negotiation with stakeholders) and coordination (the integration of urban policy and services to ensure orderly and timely development). Amongst the three virtues of institutional design, the coordination imperative is likely to prove the most challenging to effect.

Other states have produced integrated planning and infrastructure organisations with mixed results. In some cases, planners saw their influence reduced through integration, as traditionally powerful professions (economics, engineering, design) began to dominate new integrated growth management regimes. The State’s intention to establish a high-level office to co-ordinate growth management has merit because it reserves the coordination task for high-level bureaucrats of presumably equal professional status.

It will be important that the new OUMIC works outside the traditional land use planning policy set to embrace the activities and interests of other major regional urban management agencies, notably Queensland Transport, the EPA, Natural Resources and Mines, and the various public institutional owners of land. High-level input from and collaboration with these lead urban agencies will be an essential foundation for the OUMIC’s success.

Much has been learned about the value of policy and program integration during
Time for action....
- Continued from page 23

the SEQ regional planning process in the past decade but not a lot yet has been achieved in this regard. Let us not forget the long hard work by key bureaucrats and the strong local government leadership that has brought us to the cusp of success. Let us also not overlook the strong early foundations for improved co-ordination of government endeavour that also have been achieved. Queensland Transport, for example, has done much to align its planning with the SEQ strategic urban development framework. This solid work on integration must inform the strategic and operational structure for the OUMIC.

This, of course, underlines the question of the future of the State Department of Local Government and Planning. It’s the last state agency in the Commonwealth to combine municipal and planning policy functions: a combination that inevitably weakens planning by shackling it to the everyday regulatory concerns of municipal development control. State planning oversight needs to concentrate much more on policy and program issues relating to growth management – many of which are most intimately connected to the functions of state agencies rather than local governments. A state planning agency, freed from a heavy focus on municipal regulatory concerns (leave that to a local government department), would focus on producing a strong strategic planning framework for Queensland, including a set of directive state planning policies (as in NSW) that address key growth management issues. A good start for new state planning policies would be a set of directives prohibiting damaging forms of development, including canal estates (again, as in NSW), gated communities, and developments that damage coastlines and waterways.

New Growth Management Tools

The emergent new growth management regime for southeast Queensland (and eventually other state regions) will need new tools if it is to be effective. First on the list must be a regional Land Release System (LRS) that would provide a single, coherent plan for the release of land in Greenfield and urbanised areas. The lack of a LRS in southeast Queensland severely inhibits the regional planning system’s potential to achieve well coordinated, timely and appropriately located growth. A review of other metropolitan land release systems is in order, notably Sydney’s successful Metropolitan Development Program (recently emulated by Melbourne) that has done much to improve structure planning in that complex urban region for the past few decades. It is essential and urgent that southeast Queensland has a similar, centrally coordinated LRS. Next, the low tax mantra needs to give way in the face of a looming infrastructure funding crisis to a more nuanced view of urban financing

“Queensland urgently needs a public land development agency that can take the lead in key planning and renewal projects.”

Finally, Queensland urgently needs a public land development agency that can take the lead in key planning and renewal projects. Such agencies operate very successfully in other states and territories. A key job for the agency would be undertaking urban renewal and new development projects that reinforce regional planning objectives and demonstrate to the broader development industry how compliance can be reconciled to the profit objective. In NSW Landcom has been a leader in showing how substantive positive planning instrument can often be much more powerful than regulation in shaping development patterns towards desired ends. Opportunities for commercial partnerships and joint ventures with private sector partners will contribute in the long term to industry stabilisation.

Brendan Gleeson is Professor of Urban Management and Policy at Griffith University and a frequent contributor to the Courier-Mail op-ed page.
Realistic Public Admin....
- Continued from page 1

Government announced in the lead-up to the 2004 state elections that an Office of Urban Development and Infrastructure Coordination would be established, reporting to the Treasurer. The Office was apparently to undertake such functions as:

• setting out a blue-print to ensure that developers meet minimum standards;
• preventing councils approving projects that do not meet environmental goals - though without acting as ‘planning police’ for local councils;
• redrafting the Integrated Planning Act to ensure that councils adhere to a state government regional plan - so that the big-picture is reflected in their micro-planning;
• ensuring that planning is done at regional level - eg to define where development goes and where environmental areas are preserved;
• ensuring that government infrastructure programs and natural resource management schemes are compatible with urban management objectives.

However the most important requirement for effective growth management and infrastructure development outcomes - in south-east Queensland and elsewhere - is not being addressed.

Queensland is now burdened with a ‘constipated’ system of public administration which impedes everything government tries to do.”

Ineffectual Public Administration

Queensland is now burdened with a ‘constipated’ system of public administration which impedes everything government tries to do. This is revealed by practical indicators such as:

• a perception that government has been only ‘pretending’ to plan;
• arrangements for developing infrastructure, which involve (a) uncertainty about the responsibilities of departments, commercialized / corporatised entities, central agencies, and regional planning machinery and (b) a complex Public Private Partnership scheme;
• cost over-runs on major projects (of which the South Coast Motorway, Suncorp Stadium and the Goodwill Bridge appear to be prominent examples);
• administrative breakdown (eg in the Families Department and potentially in Queensland Health);
• the ‘Net-Bet affair’, in which following correct procedures (as revealed by independent inquiries) could result in a clearly unwise decision in awarding a valuable license;
• plausible external suggestions that policy in various areas is substandard;

Continued page 26

SCREW OFFSET PRINTING

Specialists in fine Quality lithographic Printing

202 Robinson Road, Geelong

Phone: 3265 1900
Fax: 3265 6881
Email: quotes@screenoffsetprinting.com.au

Adcorp Queensland.
Commercial Property advertising specialists.

Phone David Taylor 07 3229 6111
e-mail david_taylor@adcorp.com.au

the key
to success.
Realistic Public Admin....  
- Continued from page 25

- staff and union perceptions of a bullying management style; and
- widespread suggestions about a lack of full accountability.

In particular, ‘constipated’ administration necessarily limits the effectiveness of state government functions in southeast Queensland, which accounts for over 50% of Queensland’s population and economic activity.

What went wrong

This predicament is a product of Queensland’s history.

The state’s economy was long dependent on natural resources, complemented by small businesses and branch offices. This has not led the Queensland community to support independent institutions able to provide competent high-level advice about economic or public policy. Instead they relied on external investors to take making most important economic initiatives, and on the reasonably capable Public Service to support government.

The problem now is that in the early 1990s the Public Service was de-skilled by poorly-conceived and incompetently-managed ‘reform’ of Queensland’s machinery of government. This ‘reform’ involved an attempt to implement both the findings of the Fitzgerald Inquiry into problems in police and political systems, and new public management theories that envisaged making government more business-like. For reasons outlined below the latter was based on a poor understanding of the nature of government. This is why the Queensland’s current administrative ‘constipation’.

In the course of this ‘reform’ there was blank refusal to listen to the Public Service who had steadily shifted in the direction of the proposed reform agenda for several years. Instead the Westminster tradition of an independent professional Public Service was demolished by across the board restructuring and re-staffing under the Goss government. Legislation was passed to prevent appeals against senior appointments - thus making professional competence optional rather than essential. Key senior staff were lost, together with their knowledge, skills and corporate memory. Professional initiative was repressed in the name of ‘accountability’. Understanding of public policy issues was set back several years. ‘Wheels’ had to be reinvented (and many turned out ‘square’). Ineffective policy procedures were instituted on the basis of the theories of inexperienced political insiders in key positions. Under-informed policy / strategy groups sprouted like weeds. The ‘wheels fell off’ the practical delivery of critical functions such as education, health and infrastructure. Eventually the electorate (particularly the Public Service), protested at the administrative failures they were exposed to - a reaction which baffled those in political and media circles who had believed their own rhetoric about ‘reform’.

Thus the widespread community and Public Service support that had existed for progressive change was frittered away in a process that was described by independent observers in terms such as: lacking a proper philosophy; putting in a political fix; installing less capable senior officials; and creating the most complex system of government in the Western world.

Subsequent governments have exacerbated the problem. They have continued the process of politicisation and by the late 1990s politicisation apparently had bi-partisan political support.

Why politicisation matters

A critical role of the senior Public Service is to complement the focus that elected representatives have on the popularity of policy, by providing advice and implementation support to ensure that government policy is likely to be effective in practice.

Serious problems must arise where the Public Service is subjected to political manipulation.

Continued page 27
Realistic Public Admin....
- Continued from page 26

later appeared to become the basis for the Integrated Planning Act;

• the strategy to achieve the (ironic) ‘Smart’ State goal has been
amateurish (eg it involves imposing centrally in ‘smart’
inputs to an economy that remains systemically ill-
equipped to use them), and
Queensland has still not achieved the vital transition from the
rapid growth of low productivity industries to those with
higher value-added. Thus, because of the weakness of its
tax base, Queensland continues
to rely on a large revenue sub-
sidy at the expense of taxpayers
in other states under the Grants
Commissions’ horizontal equal-
ization arrangements - a fact
which some other states increas-
ingly label as a subsidy for medi-
ocracy. Moreover the state may
lack the capacity to finance the
infrastructure investment needed
to support its rapid growth.

While a loss of essential knowl-
edge and experience has been an
unwanted consequence of seeking
to make government more
accountable and business-like, it
is noteworthy that similar prob-
lems have affected private firms
where they have pursued overly
simplistic top-level perceptions
(such as financial market criteria)
of what is required for business
success.

Why the proposed Office cannot
work unless...

The problem is now that little can
be achieved by superimposing an
Office for Urban Management and
Infrastructure Coordination on an
under-skilled public sector which
has lacked effective professional
accountability at senior levels for
more than a decade [1] and which
suffers from both politically ide-
alistic’ administrative machinery
(as above) and increasingly severe
budgetary constraints.

The proposed Office must also
encounter difficulties because:

• it is apparently expected to pro-
vide ‘teeth’ to enforce something
like the SEQ 2021 plan. However the information incor-
porated in SEQ 2021 cannot yet
be adequate to fully and realisti-
cally define the region’s archi-
tecture. Thus to complete the
plan, the Office needs access to
information which is held by pri-
vate and public entities. The

property developers) whose
operational responsibilities
gives them access to detailed
information about practical
land use/infrastructure issues.
Queensland’s prior experience
with a Bureau of Regional
Development, which reported to
the Treasurer under the Goss
Government, clearly showed
though its mission was some-
what different - how ‘babes in
the bureaucratic woods’ quickly
lose credibility in internal policy
debates;

• the Office’s infrastructure coor-
dination responsibilities appear
identical to the existing legisla-
tively-defined responsibilities of
the state Coordinator General.
The latter’s long experience sug-
gests that coordination must be
based on cooperation rather than
on showing ‘teeth’ and is best
achieved by developing effective
machinery, rather than by trying
to dictate outcomes centrally;

• Commonwealth efforts to
assume responsibility for
coordination amongst different
modes of transport, under the
Department of Transport’s
emerging Auslink program, will
ensure that effective coordina-
tion between land use and trans-
port - a task which is arguably
the most important the proposed
Office would need to address - is
unachievable.

Making realistic progress

There seem to be five priority
requirements for making more
realistic progress in land use plan-
ning and infrastructure develop-
ment in southeast Queensland.

First, ‘give a laxative’ to
Queensland’s system of public
administration. This could be
achieved by creating a serious
process for professional account-
ability for senior public servants
and reviewing the realism of key
administrative processes. The
latter would include those related to:
cabinet; strategic planning and
budgeting; infrastructure plann-
ing; and the corporatisation /
commercialization of service and
infrastructure delivery.

Second, pay particular attention in
this process to the enabling
machinery related to land use
planning and infrastructure devel-
opment (eg to the provisions of
the Integrated Planning Act).

Third, evolve a shared
understanding of south-east
Queensland’s future architecture
- so that there is widespread aware-
ness amongst public and private
entities involved in planning
aspects of the region of what they
are working to create.

Fourth, review the position of
Queensland’s public finances, and
options for infrastructure financ-
ing. It may well be that a far more
serious approach to economic
strategy is essential to create a tax
base which is strong enough
to support the high levels of
infrastructure investment now
required.

Finally the most difficult goal
which needs to be addressed in the
medium term is the imbalance in
federal-state financial capabilities...

...the most difficult
goal which needs to be
addressed in the
medium term is the
imbalance in
federal-state financial
capabilities....”

The ins and outs of Brisbane’s suburban/city fringe industrial market

West End, South Brisbane, Woolloongabba, East Brisbane and Coorparoo
Sales: Callum Stenson
Leasing: Robert Finlay

The majority of industrial sales in the West End have been for residential conversion use, particularly if the building involved is on the riverfront. As in the past, a high demand and scarcity of stock have led to ever accelerating increases in purchase prices, for example, a 653m² office/warehouse at 308 Montague Road sold for $725,000 and only three months later was bought for $875,000. Similarly, a 517m² office/warehouse at 11 Kurilpa Street sold for $475,000, then was resold for $750,000 after just four months.

While smaller industrial properties between 200m² and 350m² have been leasing well at $105/m² - $125/m² (a $5/m² to $10/m² increase over a year ago), larger stock is proving more difficult to rent at $95/m² to $100/m², largely because of lower priced and more accessible competition from “new city fringe” suburbs like Morningside, Murarrie, Salisbury, Yeerongpilly, Moorooka, Coopers Plains and Rocklea. Rates in these areas are around $80/m² to $95/m².

Meanwhile, there’s been a slowdown in commercial property sales, not only to a limited amount of stock, but because some vendors are holding out for unrealistically high prices. They seem to forget that a $1,600/m² price tag for riverfront property does not automatically apply to buildings farther away. Commercial rental activity, on the other hand, is also slow but is offering a good selection of available stock, one example being the 254m² to 460m² offices in the Southbank Corporate Park at 25 Donkin Street and on the market for $180/m²-$225/m².

South Brisbane is primarily directed towards mixed use, investor led development in the urban renewal precinct bisected by Melbourne Street. As in the West End demand for appropriate stock here has pushed up prices to record levels, for example an older style 929m² industrial building with redevelopment potential for 30 residential units was purchased for $1,575,000, representing a land and building rate of $1.695/m².

In addition, the disposition of the ex-Mazda site bounded by Melbourne, Cordelia and Merivale Streets won’t be known for a couple of months and many are waiting to see the outcome of scandal riven Parmalat’s relationship with Paul’s Ice Cream. Speaking of ice cream, the old Peters factory on...