



Leading cities series

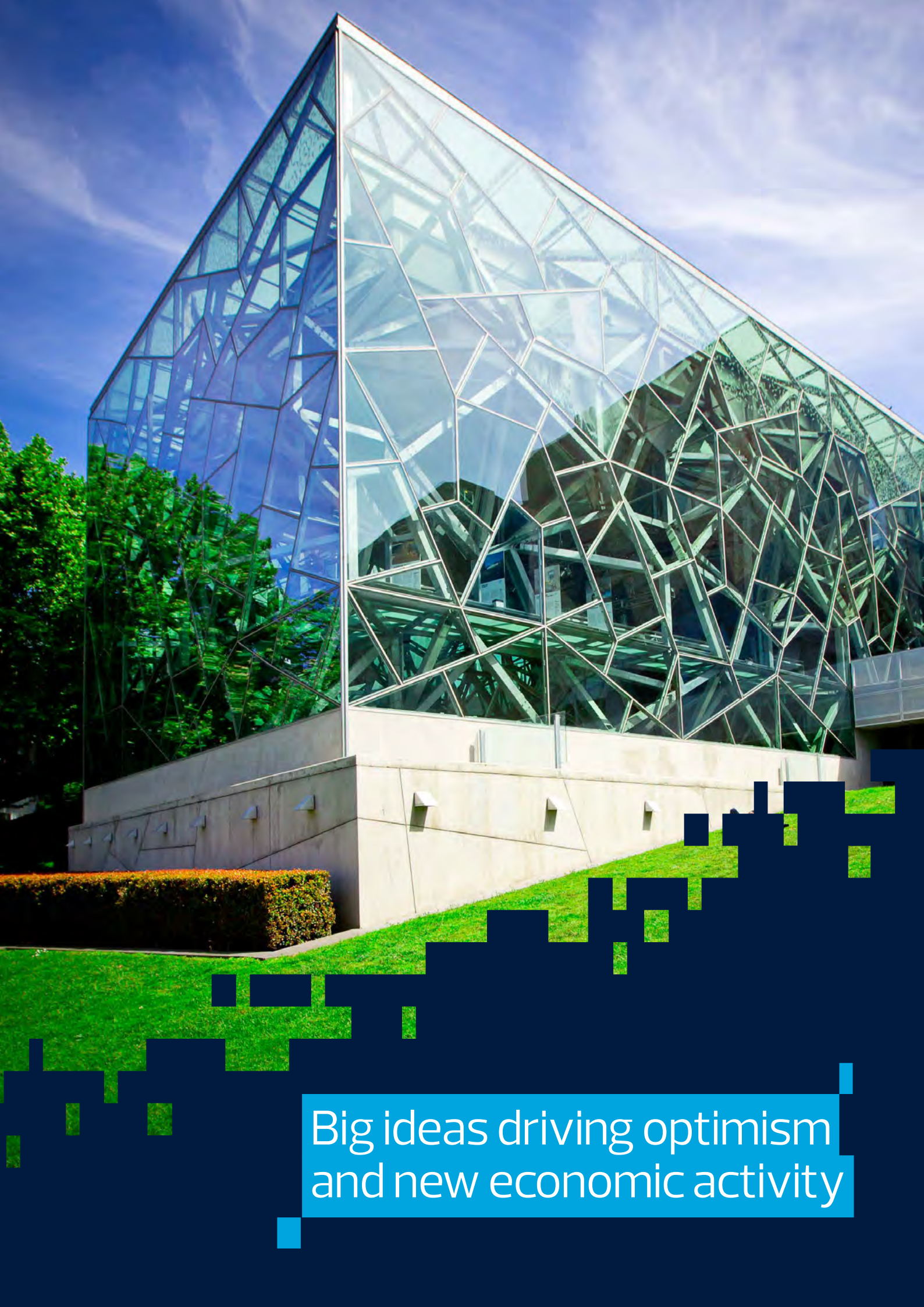


Revitalising Melbourne

Strategies for sustained development

THE POWER OF BEING UNDERSTOOD
ASSURANCE | TAX | CONSULTING





Big ideas driving optimism
and new economic activity

Foreword

Sally Capp AO, Lord Mayor of Melbourne



Melbourne, Australia's most dynamic city, is a magnet for visitors, investors, residents and students. Generating opportunities in business, tourism, culture and education, Melbourne has consistently been crowned one of the world's most liveable cities.

That international reputation is due to sound economic fundamentals and outstanding public realm. A highly educated and diverse community makes its mark globally. From leading professional and financial firms to the outstanding Parkville medical precinct, Melbourne hosts experts and innovators in many fields.

Our city has global appeal and is highly regarded in our region. It is accessible for visitors and easily explored on foot, by bike or with our extensive transport network. Melbourne is an excellent destination for events and conventions because of this premium infrastructure.

Big ideas are driving optimism and new economic activity. Our 'Invest Melbourne' team is attracting major headquarters and investment.

Melburnians love sport, food, arts and community festivals and they came roaring back in 2023. As a Central Business District, Melbourne continues to attract talent, investment and growth; increasingly we regard Melbourne as a Central Experience District – the events, sports and arts capital of the nation.

Major events, from the Spring Racing Carnival to the Grand Prix, are propelling a spike in pedestrian numbers. Year-round too, Melbourne hosts blockbuster art exhibitions, outstanding theatre, music and dance. Renowned for fine dining and chic bars, the city has experienced a big jump in visitor numbers at nights and weekends.

Guided by the data we collect, we're delivering major city-shaping projects. The Queen Victoria Market renewal will boost the city's north and create one of the world's great open-air parks. The \$300m Greenline project is Melbourne's headline infrastructure project – a four-kilometre promenade of open spaces transforming the city's riverbank.

Melbourne is also on the brink of major change with substantial urban renewal projects close to the city centre. Fishermans Bend is Australia's largest urban renewal project, with huge potential to re-shape our city. Covering about 480 hectares in the heart of Melbourne, it's planned to become home to more than 80,000 residents and 80,000 workers by 2050. The National Employment and Innovation Cluster precinct will become a hub for advanced manufacturing, engineering and design.

Melbourne has also taken a lead in climate policy. We have delivered two group energy purchasing agreements, aiming to be the first capital city council in Australia powered by 100% renewable energy. We are building on that success with the Power Melbourne battery network and city greening initiatives embraced by our community.

This publication reveals the business and investment opportunities offered in this thriving capital city. Melbourne looks ahead with confidence to a future that is prosperous, inclusive and sustainable.

On track to achieve carbon neutrality

Introduction

All you have to do is walk through Melbourne's streets to experience its charm and vibrancy. It is timely for RSM to publish this Melbourne publication, a part of our *Leading Cities series*.

RSM has long had a thriving presence in Melbourne; we are privileged to count some of the city's most esteemed businesses as our clients. This gives us an inimitable perspective on the state of play across both the public and private sectors and we are pleased to be able to share these insights in this report.

Data demonstrates the strength of the city's growth. Post-pandemic, Melbourne is [forecast](#) to generate \$150bn in gross local product by 2031, up from \$104bn in 2019. It is also expected to be the largest city by population in the country by 2031.

Our report details all the exciting initiatives currently taking place across Melbourne and Victoria to support our expanding population and our fast-growing metropolis. For instance, the Victorian Big Build is a game changer for Melbourne and Victoria and will help unlock our infrastructure and support future productivity.

Nevertheless, the city is still working through some post-COVID challenges, including a constrained Victorian state budget and talent shortage. What is now required is truly long-term thinking to put Melbourne properly back on its feet after COVID-19. This includes judicious application of public money not just to new projects but to ensure the city's existing jewels remain world-class.

If Melbourne, achieves its ambitious plans outlined throughout this report, it will continue to be one of the most sought-after places to live and work in the world, supported by an unparalleled program of international sporting and cultural events and the enviable cool aesthetic for which Melbourne is known.



Kristie Dundon
Managing Partner, Melbourne
RSM Australia

rsm.com.au/melbourne



Executive summary

Melbourne is undergoing a major post-COVID reset. Felled by persistent lockdowns throughout 2020 and 2021, the city is rising once again. Leading indicators suggest it is moving forward from an economic, socio-economic and cultural perspective.

The city is routinely named among the world's most liveable cities and anyone who has walked from Fed Square, through to Olympic Park, the famed MCG – the 'G' – will attest to how easy it is to get around. The grid-structure of the CBD streets, the iconic tram system, notwithstanding the unique hooked turn, and the flat nature of the geography are some of the features that define this southern belle.

Melbourne's reputation as a cultural mecca is second-to-none among its Australian peers. It is the events capital of the nation, bookending our year with the Australian Open tennis tournament in January and marking its end with the Boxing Day Test cricket match in December.

But there is a divide between the inner city and outer city, one that requires careful management so as not to cement a permanent 'tale of two cities' dynamic. The Victorian government is doing its best to navigate this with an impressive program of new infrastructure to make it easier to get around. Housing affordability is a challenge, especially given the predicted rise in the population.

The transition to a low-carbon economy is a work in progress, however plans are afoot, and Melbourne is on track to achieve carbon neutrality.

This publication provides a snapshot of Melbourne across a number of parameters:

- Economics
- Socio economics
- Infrastructure
- Climate change
- Sport
- Culture

Taking all the evidence into account, the prognosis for Melbourne is excellent. While the city is not without challenges, there's much to be positive about the future for Melbourne and its inhabitants'.

Melbourne's economy: Population growth and emerging technologies build momentum

Melbourne's economy is recovering as the city bounces back from being [the most locked down capital city in the world during the COVID-19 period](#).

In 2020, Victoria had its [first economic downturn in 28 years](#), with demand falling by 8.2%, subsequent to a 14.3% fall in consumer spending. During the pandemic, the state government spent \$40.1bn on stimulus packages. [While economic growth is recovering](#), the state is still paying for COVID-19.

Concurrently, many businesses across the city are still getting back on their feet. Figures from credit data firm CreditorWatch indicate the default rate among Melbourne businesses over the year to 30 August 2023 was 3.96%, with this figure forecast to rise to 6.0% over 12 months to 20 August 2024. This indicates how challenging the COVID-19 lockdowns were for businesses.

To this end, Melbourne City Council has outlined [eight priorities](#) to lay the foundation for a thriving city economy. These include shaping a business-friendly, digitally connected city, spearheading a creative resurgence, increasing housing supply, transitioning to a low-carbon economy and celebrating diversity. It is an important vision to support Melbourne businesses as they rebuild in the years ahead.

A population boom is set to be the driving force behind Melbourne's future economic growth. Melbourne's population is projected to increase from 5 million to 8 million by 2050. The City of Melbourne's municipality [expects](#) an additional 155,000 people will live in the city by 2041, which equates to an extra 50,000 households, based on 2021 numbers. This will bring the CBD population to more than 308,000 people and means the city needs an additional 42,000 new dwellings. Over this period, the council [anticipates](#) job growth of 41% to 659,200, comprising an additional:

- 48,000 business services jobs
- 32,000 health care and social assistance jobs
- 21,000 education and training services jobs

"The greatest challenge is how Melbourne supports population growth of that nature and still maintains a standard of living we all enjoy," says Simon Aitken, RSM's Director, Tax Services.

Migrant communities make the city

Over its history, migrant communities have given Melbourne its special international flavour. Of all Australian cities, Melbourne has a reputation for its cosmopolitan flair, which feeds into the city's cultural and gastronomic life. While COVID-19 may have disrupted this pattern to a degree, it didn't stop it altogether. According to the City of Melbourne's [numbers](#), 40,046 people living in Melbourne had arrived in Australia in the five years prior to 2021.

There is important public policy support to encourage international migrants to move to Melbourne, with the Australian government [allocating](#) 3,300 skilled visa places to Victoria for 2023/2024. This cohort of people will add to the vibrant international community for which Melbourne is renowned.

Managing fiscal constraints

[The 2023/2024 Victorian State Budget](#) set out a plan to invest in healthcare, renewable energy, high-quality road and rail and education. This includes reducing the public service, primarily across corporate and back-office functions, as well as reductions in labour hire and consultancy expenditure. The state government has said this won't affect frontline services.

Nevertheless, the state government [has stated](#), "Victoria's capacity to pay down our COVID-19 debt and further strengthen our finances



is constrained." It is arguing for a greater share of GST revenue per head of population from the Commonwealth to account for this.

To help it right its financial ship, the [state government introduced a range of changes to state taxes in the 2022/2023 budget](#), such as a temporary land tax surcharge and a temporary payroll tax surcharge for employers who pay Australia-wide wages of \$10m or more in a financial year. There have also been [changes to the windfall gains tax](#) (WGT) regime so land owners pay an additional tax when their land is rezoned, where that results in an upward revaluation of their land of more than \$100,000.

"In a fiscally-constrained environment, the challenge is to get the balance right between equalising the budget and debt levels via tax policy, whilst still promoting an environment that will allow Melbourne to be a financial and entrepreneurial centre. These are issues common to other states and governments all around the world," says Evan Tsipas, RSM's Director, Financial Services.

"While changing the fiscal mix by taking a look at direct and indirect tax is important as we continue the post-COVID recovery, we also need to grow our way to a stable financial future. We can do that by investing in new technologies and knowledge industries along with renewable energy investment and further leveraging our existing strengths including our cultural and sporting heritage to get our state into a better budget position," Tsipas says.

Aitken notes Total Estimated Investment (TEI) is set to decrease in the 2023/24 financial year for the first time since at least 2015/16. "TEI is budgeted to decline from \$106,283m to \$99,534m, in part due to merging fiscal constraints."

Aitken, who has significant experience advising property and construction companies in Melbourne notes, "At the same time, despite a land tax surcharge and temporary payroll tax levy being introduced to reduce debt accumulated during COVID-19, additional revenue-raising measures are being considered, such as widening the application of the Vacant Land Tax beyond Melbourne."

He says it is important a balance is achieved to both raise revenue and encourage additional much-needed private sector investment in the property sector to support a growing population.

"Land transfers duty and land taxes combined exceeded 42% of state revenue in 2022/23, this is prior to new property tax measures announced for 2023/24.

"An opportunity for tax reform exists, given heavy reliance on property taxes. In discussions with clients, we do navigate taxation issues and carefully note current trends, which increasingly factor into cost-benefit analysis and Internal Rate of Return (IRR) projections relating to potential development projects. We are optimistic, as the demand for new dwellings and infrastructure remains robust, yet we encourage reform to support our key industry."



Stamp duty changes in Victoria

In August 2023, a [Victorian parliamentary inquiry](#) made a number of [findings and recommendations](#) in relation to stamp duty, which is a contentious tax. The report acknowledges it, "makes it more difficult for people to move house for new employment or to downsize..."

The implication is stamp duty can limit efficient allocation of housing stock and reduce housing affordability, as the burden of paying it tends to unduly rest with both younger people with fewer resources and older people whose capacity to pay this tax may be diminished near retirement. Stamp duty also disproportionately affects divorcees, in particular women.

Acknowledging the 2009 *Australia's Future Tax System's* report's recommendation to abolish stamp duty, the inquiry recommended the Victorian Department of Treasury and Finance model and publish details on alternative mechanisms such as a land tax. The inquiry suggested the Victorian government explore measures to increase housing supply.

Sector focus: Beyond manufacturing and mining

To understand Melbourne, it's essential to trace its historical roots. Melbourne was founded in 1835, and its early growth was driven by the gold rush in the 1850s. This period of rapid wealth accumulation laid the foundation for the city's economic prosperity.

Melbourne remains the industrial heart of the nation, and many of Australia's largest listed businesses have long considered the city home. It is also an important regional financial services hub for Asia Pacific and is fast-becoming home for businesses in emerging sectors such as advanced manufacturing, biotech and fintech. There are also vital renewable energy projects situated around the city to help the nation transition to a low-carbon economy.

A number of the nation's leading financial services businesses are headquartered in Melbourne, including ANZ and National Australia Bank. The nation's sovereign wealth fund, the Future Fund, is also based in Melbourne, as is the nation's largest superannuation fund, AustralianSuper, with \$258bn in member assets under management, [according to](#) its 2022 annual report.

The city is a financial powerhouse. Major Australian businesses including supermarket chain Coles, telco Telstra and toll road operator Transurban are also headquartered here.

The city has traditionally been the nation's industrial and mining headquarters, and that history is reflected in the large resources businesses whose Australian headquarters remain in Melbourne, including BHP and Rio Tinto. Having two of the largest global miners headquartered in Melbourne positions the capital at the forefront of decarbonisation.

More recently, businesses have been building on Melbourne's history in heavy manufacturing to develop a growing advanced manufacturing sector. This has been spurred on by incentives such as research and development grants like the [Made in Victoria – Manufacturing Growth Program](#), through which businesses can access grants of between \$50,000 and \$250,000 to invest in new manufacturing processes.

Academic nous

The City of Melbourne is synonymous with its major tertiary institutions including Deakin University, La Trobe University, Monash University, RMIT, Swinburne University of Technology and The University of Melbourne. These schools are an important source of talent for Melbourne's corporations and also support a vibrant community of researchers and start-up businesses.

Appearing regularly in the list of the top ten most liveable cities in the world according to *The Economist's* Intelligence Unit, and coming in at [third place](#) in the 2023 survey, Melbourne is an attractive destination for many international students, with [182,000 students from 120 countries](#) presently studying in the city. While many overseas students returned home during COVID-19, the state government has committed [\\$180m in funding](#) to attract the important global student population back to the city.

With its strong technical pedigree, Melbourne's fintech community is second to none, with innovative incubators and co-working spaces such as Stone & Chalk Melbourne and Inspire 9 based in the city. The prestigious [RMIT Blockchain Innovation Hub](#) is also located in Melbourne.

The city is an emerging biotech hub, with global leaders such as CSL located there. It's also the home of Australia's newest biotech incubator, [Jumar Bioincubator](#), a joint project of CSL, WEHI (previously called the Walter and Eliza Hall Institute of Medical Research) and the University of Melbourne.

Against this backdrop, it's important Melbourne continues to foster its exciting community of innovators, researchers and businesses to maintain its place as a leading global city for new technologies and thought leadership.

"As a regional centre, Melbourne must be cognisant of the incentives and regulations of other major regional hubs such as Singapore if we want to continue to attract talent and investment into the city," says Dr Mary Wang, Associate Director at RSM.

Case study

Yephome: Local proptech firm rides new dwelling boom

yephome.com.au

Melbourne is home to a slew of up-and-coming tech businesses such as YepHome, an innovative new platform for property developers, builders, real estate agents and buyers looking for information about new builds.

For builders, YepHome provides an AI-powered user interaction engine that allows builders to better understand customer demands for new construction. It also offers insights into the construction workflow, helping builders enhance efficiency and mitigate systemic risks, significantly elevating their competitive edge.

YepHome gives developers intelligence about the market for new homes and apartments, which allows them to pinpoint the market and create products that better meet market needs.

For buyers, it's a new AI-powered one-stop shopping platform for new dwellings, providing young families, professionals, first-time homebuyers and investors with all the information they need about the developments they are interested in from one spot.

In addition to intelligently recommending all the information about the developments they like, buyers can also learn about the local area, everything from gyms to parks to schools. The platform's AI can recommend the most suitable properties for customers based on their preferences, budget, investment or occupancy, and transfer timelines."

"With interest rate rises and challenging economic conditions, many people are considering whether now is the right time to hold on to properties or sell. A real estate technology platform powered by AI and big data gives them better services and advice, creating a new ecosystem where different parts of the property supply chain come together," says YepHome co-founder Tony Shen.

YepHome is likely to become an even more integral part of the property sector, given the robust pipeline of new dwellings required to address the housing shortage



Some of the new developments featured on the Yephome property portal



and to accommodate migrants and overall population growth. In 2023, National Cabinet committed to building \$1.2m of new homes over the next five years.

As a proudly Melbourne-based business owner, Shen says a huge attraction is the city's liveability. "It is a great environment in which to live, work and study, with many famous universities located in Melbourne. The growing population and the new infrastructure and transport links are important for the city's future," says Shen.

Shen explains Melbourne's business community is a vital part of the city's fabric. "We have vibrant finance, technology and health industries, which are just a handful of the sectors that are really doing well. It's great to be part of this group."

A portrait of a man with a beard and short dark hair, smiling at the camera. He is wearing a dark blue blazer over a white button-down shirt. His hands are clasped in front of him. The background is a solid dark blue. The bottom of the image features a bright blue area with a black, jagged, pixelated border separating it from the dark blue background.

Joye

One of the
RSM team

Empowering you
every step of the way

Infrastructure in the crossroads

An unprecedented program of capital works is taking place across Melbourne, designed to support a growing metropolis and better connections between areas of the city.

At the heart of Melbourne's ambitious program of infrastructure works is Victoria's Big Build, which comprises a range of road and rail improvements. Once complete, these improvements will transform the way Melburnians move around the city and the way other Victorians get into and around the metropolis.

Here are some of the main projects underway:

- The Metro Tunnel to [create](#) a new rail line from Sunbury in the west to Cranbourne/Pakenham in the southeast, including five new stations.
- Major Road Projects Victoria is [rolling out](#) dozens of projects around Melbourne, including new roads, road widenings, new bridges and major freeway upgrades.
- [Removal](#) of 110 dangerous and congested level crossings across Melbourne, with 72 crossings removed so far.
- The West Gate Tunnel Project which, when built, will be [an alternative](#) to the West Gate Bridge. The second river crossing will reduce gridlock and remove thousands of trucks from residential streets.
- The North East Link Tunnels [will complete](#) the ring road in Greensborough, overhaul the Eastern Freeway and build Melbourne's first dedicated busway and the North East Trail, which is more than 34 kilometres of walking and cycling paths.
- When complete, the Suburban Rail Loop [will deliver](#) a 90-kilometre rail line linking the Frankston Line to the Werribee Line.

"The substantial pipeline of infrastructure projects will mean people can better access everything they need to enhance their lifestyle, such as restaurants, schools and hospitals," says RSM's Director of Probity and Assurance, Michael Shatter.

"These committed projects and funds are critical to Melbourne's outer suburbs and regions. They generate jobs and development around transport corridors, and they mean people can get around the city in a more efficient manner, which is important in a geographically dispersed city like Melbourne," says Shatter.

Drilling down into infrastructure investment for Melbourne city, the [council's budget for 2023/24](#) sets aside \$254.4m in infrastructure spending, creating up to 1,000 new jobs. Of these funds, \$60.9m is to make the city cleaner and safer and \$51.5m is for a greener, more sustainable city.

It's a truly ambitious pipeline of work, with a number of serious challenges. These include a fiscally constrained government, escalating costs due to inflation and supply chain disruptions and labour shortages across both skilled and unskilled roles.

"Cost escalation is an enormous challenge for governments, especially ensuring there are appropriate budgets and contingencies set aside for major projects," says Shatter.

Pauses on projects like the Melbourne Airport Rail and Geelong Fast Rail are casualties of Victoria's post-pandemic strained circumstances. Nevertheless, the state government has said, "productive, long-term investment in infrastructure continues to be a priority, with government infrastructure investment [projected to average](#) \$19.6bn a year over the budget and forward estimates, which is significantly more than the 10-year average to 2014/15 of \$4.9bn."

Commenting on the infrastructure announcements in the 2022/2023 Victorian state budget, think tank Infrastructure Partnerships Australia, [noted](#) the budget, "acknowledges the sobering reality of the fiscal circumstances, with pandemic debts and inflationary cost pressures restricting ... new infrastructure spending."

Trams on the move

The Victorian government is investing \$1.85bn in Melbourne's iconic trams, including 100 'Next Generation Trams' and a new maintenance facility.



Difficult times for construction

Melbourne has long had a vibrant construction sector and, as testament to its superior skills, the city's big construction firms have often been seconded to build major projects in other cities. This dynamic has been under threat since COVID-19 unsettled normal market conditions operating across the building sector.

COVID-related stimulus packages prompted a huge boom in building, at the same time supply chain constrictions made it difficult to source building materials such as timber, bricks and concrete. The nature of the cash flow cycle in the sector has also prompted well-publicised liquidity challenges and business failures.

This cycle is still working itself out, with 383 construction businesses going out of business in the 2022/2023 financial year, an increase on the 2021/2022 figure of 359 businesses, [according to](#) data from the Australian Securities and Investments Commission, the highest numbers of all industries.

Property sector update

Conditions are quite different across Melbourne's residential and commercial property markets. The residential market, office and retail markets remain subdued. The only market with strong demand is industrial.

According to commercial real estate firm, CBRE, based on July 2023 numbers, the CBD retail property market is depressed, with rents down 13.8% year-on-year. Although there are signs of activity in the outer suburb shopping centre market, with Craigieburn Central to Melbourne's north selling for \$300m and Broadmeadows Central selling for \$134.5m in 2023.

There are signs the office property market is picking up post-COVID, with prime CBD rents up 1.3% and vacancies sitting at 15%. The completion of 555 Collins Street has added 47,800 square metres to the market.

Supply and demand dynamics are at play across the industrial property sector, with vacancy rates sitting at 1.1% and 87,458 square metres of new floor space added to the market in 2023. Rents for prime space are up 6.2% across the year.

In terms of the residential property market, according to PRD Real Estate's data, overall prices for houses and units across the greater Melbourne market are still dropping, although conditions are normalising. Median unit prices are now similar to prices recorded in the first half of 2020 and median house prices are similar to the first half of 2021. PRD data shows most of the growth areas in Melbourne are located in the west and north, for example Derrimut, Epping and Point Cook.

"Even though prices for units have proven to be resilient, this is due to affordability given units are cheaper than houses, as opposed to properties holding capital growth value," says PRD Real Estate Chief Economist Dr Diaswati Mardiasmo.

The Melbourne rental market remains heavily undersupplied, with median rental prices increasing by 12.4% for houses and 17.8% for units to the 12 months to end June 2023. According to the [Rental Availability Index](#), rent as a share of income for a minimum-wage couple is 27%.

In terms of new housing, there is substantial supply coming online, which should help to address the housing affordability and availability crisis. PRD data shows in 2023, 12,131 apartments, 2,232 townhouses, 1,094 dwellings and 827 lots will be completed. These are mostly mixed-use, higher-density developments.

Steps are being taken to address the crisis in affordable housing; for instance, the Victorian Government [has committed](#) \$5.3bn to build 12,000 new homes across the state over the next four years. But more needs to be done. The Legal and Social Issues Committee is currently conducting a review of rental and housing affordability in Victoria to identify the variables that have led to the lack of affordable accommodation.



Planning for sustainable, high-density living

Careful planning and forethought needs to go into the shift towards more high-density living across Melbourne, especially given how vast the city is in geographical terms.

There needs to be more focus on better integration between various infrastructure assets to effect more seamless movement from one side of the city to the

other, especially given the nature of Melbourne's urban sprawl. Data backs this up. [According to](#) the Committee for Melbourne, the city has the equal second longest average commute time among 15 peer cities.

The key is intelligent city design. This means taking into account how to make best use of all the new infrastructure that's being built. It also means ensuring the city has all the amenities it needs to support the community, even down to whether there are enough buses and trains to move people across the city when all the projects that comprise Victoria's Big Build are complete. This requires long-term thinking, not just short-term political cycles.

"When it comes to transport and infrastructure, there's an opportunity to plan ahead for a workforce that's not in the office during the traditional nine to five work day. For instance, we could explore how some people could work from seven to three in different industries, to alleviate some of the pressure on the roads," says Dr Rita Choueiri, National Director, Life Sciences at RSM.

"When we think about managing our infrastructure, we need to make sure we can continue to service the community and the growth of the population," says RSM's National Leader for Health, Jayesh Kapitan.

As Dr Choueiri explains, the focus has to be on sustainable growth. "But at the same time, we also need to preserve the character of Melbourne and its different suburbs."

A healthy outcome

In COVID-19's wake, there's a huge emphasis on improving Melbourne's health infrastructure, with \$659m [set aside](#) in the Victorian state budget 2023/24 for health, mental health and aged care infrastructure projects across the state. This includes:

- A new emergency department and inpatient towers at Queen Elizabeth II Hospital in Melbourne's eastern suburbs
- A new emergency department and inpatient facility at Northern Hospital
- An expanded emergency department and upgraded short stay unit at Austin Hospital

Some of the major health infrastructure projects currently underway include:

- New 500-bed [Footscray Hospital](#)
- \$900m+ to deliver a new Melton Hospital by 2029
- A \$515.7m redevelopment of the [Thomas Embling Hospital](#) in Fairfield
- The \$1.1bn [Frankston Hospital](#) redevelopment

From a health perspective, future planning of the healthcare system has to support people's well-being from cradle to grave.

"It's not only about investing in hospitals so people are taken care of when they have an acute illness. The whole journey has to be mapped out from birth, childhood, starting families, aged care to palliative care," says Mr Kapitan, National Leader, Health at RSM. This includes investing in preventative measures to keep people out of hospitals, such as building facilities such as gyms and parks, and educating the population about how to be healthy, to take the strain out of the health system.

In terms of future health infrastructure projects, the [Metropolitan Health Infrastructure Fund](#) is presently seeking submissions to access an additional \$40m in funding announced at the 2023 Victorian state budget. So far, the fund has provided \$225m in funding to 72 projects across Melbourne.

When it comes to barriers and challenges for the rollout of Melbourne's new health infrastructure, the development pipeline faces the same issues as other major projects in terms of cost escalations and access to labour. With health infrastructure, a related challenge is making sure there are enough trained medical and administrative staff available to work in facilities when they come online, in both the public and private sector. This gap can be plugged in part with skilled migrants, but this is not a quick fix.

There is work taking place to develop skills in the emerging area of health artificial intelligence, which will increase productivity across the health system. For instance, the University of Melbourne's [ARC Training Centre in Cognitive Computing for Medical Technologies](#) is training up a cohort of AI medical experts.

More broadly, health tech is a huge focus of the Victorian government. [Victoria houses](#) 14 independent medical research institutes with more than 5,800 skilled staff and there are more than 300 medtech companies and start-ups across the state. A recent [announcement](#) was a \$14.8m investment in critical imaging capabilities through the Victorian Higher Education State Investment Fund.

"There has been a big push in Victoria around improving medtech infrastructure, to resolve frustrations in hospitals and clinics about the ability to use technology to support better health outcomes," says Mathavan Parameswaran, National Leader for Technology at RSM.

"Investments in Melbourne's technology backbone is critical to support the health system, demands on which will only keep growing as the population grows and ages," Parameswaran says.

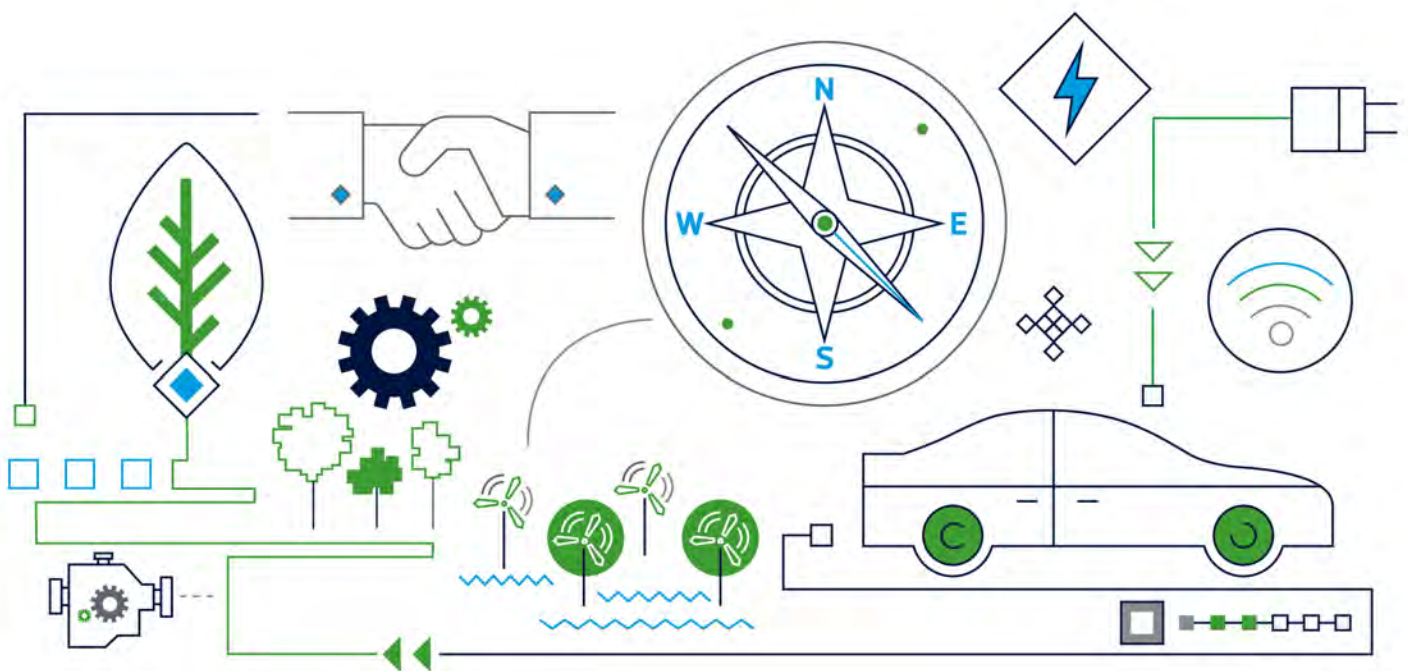
Tech backbone the conduit for higher productivity

The centre of Melbourne's technology push is the Breakthrough Victoria program to foster new ideas and technologies to address social problems and create new industries. Its purpose is to support health and wellbeing and sustainable prosperity now and into the future. To this end, the Victorian government has set aside \$2bn to connect companies, research institutions, governments and investors as part of the program.

Breakthrough Victoria has already committed considerable funding to Melbourne-based businesses, such as Navi Medical Technologies, which has received \$700,000 to develop a medical device to help guide clinicians inserting catheters into the veins of critically ill babies and children. It has also invested in Kite Magnetics, which is developing the next generation of electric aircraft motors as part of the electrification of transport.

It is vital Melbourne continues to invest in its underlying technology backbone. The city is connected to the 5G network and the NBN has also been widely implemented. This will support fast data transfer across the city, vital for ongoing productivity and the support of a range of industries such as telecommunications, technology and creative digital sectors.

"Ensuring everyone has access to fast, digital technologies is essential to maintain connectivity across the population, given Melbourne's urban sprawl," Parameswaran says.



Case study

An eye for opportunities underscores The Pentarch Group's success

The Pentarch Group started life as a diverse import-export company in 1984. Now, it operates two mature vertically integrated businesses, together with a developing permaculture and carbon division, as the group increasingly pivots towards green and circular economies.

The Pentarch Group is primarily a commodity processing and logistics business operating within the Australian forestry and agricultural industries. The group has invested heavily in value-adding manufacturing capability with two wood chip facilities and nine sawmills located along the eastern seaboard which supply both the domestic construction and export markets, and two hay processing facilities in WA and Victoria which produce livestock feed for export.

"The business has matured and evolved over time," says Pentarch Group's Executive Director, Simon Yuncken. The Group is developing sustainable businesses in permaculture and carbon. "We're looking at ways to transform traditional waste materials into a range of uses, including fertilisers, energy generation, and manufacturing diesel," says Yuncken.

Although operations are dotted around the country, The Pentarch Group headquarters are in Southbank, Melbourne, and like many businesses is balancing the use of technology which facilitates working off-site with the traditional benefits of working together in an office environment.

"It's preferable to have people working together for at least some of the working week, rather than operating remotely on screens. Some things get lost in translation when you're only communicating on webcam. Some office engagement supports social interaction and sharing data and information."

Melbourne has other attractions. "Many of our professional service providers are based in Melbourne, so it's great having these resources on tap," says Yuncken.

He notes it's a gateway to the rest of the country. "Melbourne also has good connectivity into the regional towns where many of our facilities are located and is a good base for travel to our international markets."



5388 lineal metres of Pentarch Forestry at Bay Pavilions Arts-Aquatic at Batemans Bay, NSW



Pentarch Forestry features heavily in exquisite horse arena in Orange, NSW

Yuncken says a business community that includes very established firms, many emerging companies, and everything in between, is another Melbourne drawcard. "Melbourne really does deliver a diverse and interesting business environment."

He acknowledges there are challenges for the city to resolve, such as managing population growth and adequate affordable housing near the city. Public sector fiscal responsibility, given the ambitious infrastructure pipeline, is a live issue.

"That infrastructure should pay dividends, but the flip side is the high level of investment required. It's a fair chance this means higher charges and taxes, and this could make Victoria less attractive for business," says Yuncken.

"We are also living through a period of disruption as this infrastructure is built and we must address the lack of train access to the airport. We do need to be in lockstep with the other states to maintain a competitive position. These are the things we have to address in the next five years."

Towards Net Zero: Climate change resilience and action

Melbourne is already feeling the effects of climate change. Rising temperatures are leading to more extreme heatwaves, putting strain on energy systems and increasing the risk of heat-related illnesses. Bushfires have become more devastating, threatening lives and property, as well as disrupting businesses and supply chains. Increased rainfall and flooding events pose threats to infrastructure and agriculture.

These climate-related risks are not just environmental; they have significant economic and financial implications. Melbourne's businesses are facing mounting challenges in terms of operational disruptions, increased insurance premiums and potential asset devaluation. As the impacts of climate change continue to escalate, businesses that fail to adapt and report their climate risks could face severe consequences, both financially and in terms of reputation.

At the same time, a changing climate also means many opportunities in terms of new businesses, new business models and also job creation. A range of clean energy initiatives are taking shape around the city to support the transition to a decarbonised economy.

So, while substantial action is required to ensure Melbourne can face its climate change risks head-on, the steps policymakers, public sector authorities and organisations take now can help prepare the city and its environment for a low-emissions future.

Preparing for mandatory climate-reporting

The Australian Treasury and the Australian Accounting Standards Board (AASB) have now completed their consultations on the upcoming mandatory climate-related financial reporting policy and standards (Australian Sustainability Reporting Standards) for Australian companies and large non-profits. The policy and standards build upon and partially adopt the internationally agreed IFRS S1 and S2 standards developed by the International Sustainability Standards Board (ISSB).

Initially, the regulations will apply to large businesses, who fulfill two of these three criteria: more than 500 employees, gross assets exceeding \$1 billion and/or annual turnover of more than \$500 million, as well as large Greenhouse gas emitters as defined under NGERs, before being cascaded to smaller businesses, the rest of NGER entities and certain types of asset owners over time). "It's a good idea for businesses of all sizes to start preparing to report against these standards now," says Catherine Bell, Director, Climate Change and Sustainability Services at RSM.

When these standards come into effect, organisations that are required to comply will be obliged to disclose information about their governance processes, controls and procedures used to monitor and manage climate-related financial risks and opportunities. These include:

- **Governance**

Governance processes starting from board level down to operational management, including controls and procedures used to monitor and manage climate-related financial risks and opportunities in business model and value chain.

- **Strategy**

Businesses will need to report information about the current and anticipated effects of climate risks and opportunities over the short, medium and long term on the entity's business model and value chain, decision-making, transition plan, financial position, financial performance and cash flows. Strategy disclosures will need to include climate scenario analysis, which is an assessment of how different levels of climate change may affect the business.

- **Metrics and targets**

Reporting entities will be required to disclose the company's gross direct emissions (scope 1 and 2 emissions). From their second reporting year, organisations will be required to disclose their indirect emissions (scope 3 emissions).

Federal Treasury consultations have signalled these disclosures will ultimately need to be assured to enhance their credibility. Companies that implement process-driven approaches will see significant benefits when faced with assurance requirements.

"At first, limited assurance will be required for certain disclosures until year 2027, from where on reasonable assurance will likely be mandated. This calls for a number of internal functions to be activated and engagement with external assurance providers to be initiated ahead of the reporting deadlines," says Bell.

Bell explains that one of the challenges when it comes to reporting sustainability data is the complexity of the information. "Our role is to help clients manage this information and communicate the impact of different climate scenarios on their business and industry. This will be a particular challenge for the middle market, especially when it comes to gathering information from their suppliers for scope 3 emissions reporting. Ultimately, reporting this information is part of your social licence to operate."



Taking action on climate

The complexity increases exponentially for those Melbourne-based entities, which operate internationally or have international investors or customers – they will likely end up in the cross-roads of needing to comply with a number of similar, but differing, sustainability disclosure regulations across several markets, which often go beyond climate and cover a number of sustainability topics, such as biodiversity, circular economy, sustainable water management, waste, social issues, human rights and others. A good place to start at is a comprehensive mapping of reporting requirements and data needs across all relevant markets.

Reporting is just part of the steps Melbourne businesses are required to take to mitigate their climate risks. They also need to pragmatically integrate sustainability metrics and management into their business in a way that's proportionate to their risk.

"This is complex for larger global organisations, but it's equally challenging for smaller businesses whose reporting practices are less sophisticated. Every company has to go through the same process, but the effort required is proportionate to the size of the company," says Bell.

Other steps Melbourne businesses need to take include:

- Embed climate considerations into business strategy. Develop clear goals and action plans for reducing emissions
- Develop a climate resilience plan that includes measures to protect infrastructure and operations from climate-related disruptions.
- Consider diversifying supply chains to reduce

vulnerability to climate-related disruptions in specific regions. Evaluate suppliers' climate preparedness.

- Invest in energy-efficient technologies and renewable energy sources to reduce emissions and energy costs.
- Review insurance policies to ensure they adequately cover climate-related risks.

Melbourne businesses are at the forefront of Australia's response to climate change, facing growing challenges and risks associated with extreme weather events and regulatory changes. To thrive in this changing landscape, businesses must embrace climate reporting and adaptation strategies to enhance their reputation and access to capital.

"Public sector is likewise expected to do their part on climate and environmental reporting," says Linda Romanovska, Director, Climate Change and Sustainability Services at RSM. "Federal government entities are expected to provide their climate reports with a FY27 deadline, and Victoria State entities are already expected to comply with the Financial Reporting Direction 24: Reporting of environmental data by government entities, which mandates a number of disclosure's on energy use, greenhouse gas emissions, sustainable procurement, water and waste management among others. It is the combination of private and public transparency, which will provide the required impetus for speeding up progress towards a low-carbon and environmentally sound economy in Melbourne."

Multiple authorities govern climate change

A range of different authorities are assisting Melbourne and the surrounding areas to adapt to climate change.

"A unique situation in Melbourne is there are multiple agencies with a vested interest in, and influence over, addressing climate change," says RSM's National Head of Risk Advisory, Jean-Marc Imbert.

These include:

- **Sustainability Victoria:** Its purpose is to accelerate Victoria's transition to a circular, climate-resilient clean economy.
- **Environment Protection Authority Victoria:** EPA's role is to prevent and reduce the harmful effects of pollution and waste on Victorians and their environment.
- **Victorian Department of Energy, Environment and Climate Action:** Responsible for administering Victoria's [climate action targets](#): Victoria has enshrined its net-zero emissions targets in law, with a commitment to achieve net zero by 2045.
- **Fire Rescue Victoria:** Protects communities across Melbourne and Victoria's major regional centres.

Council leads climate change efforts

Melbourne City Council has a [comprehensive program](#) to address the effects of climate change:

- Cut emissions from council operations by [53% between 2013 and 2019](#).
- Buys 100% renewable energy through the [Melbourne Renewable Energy Project](#).
- Switched major events such as Melbourne Fashion Week, Melbourne Music Week and Melbourne Knowledge Week to be [certified carbon neutral](#).
- Plants 3000 trees a year.
- Invested \$40m in stormwater harvesting, capturing and reusing around 180,000 kilolitres of water per year.
- Invested \$17.1m in energy efficiency and renewable energy, including 2244 solar panels and 11,816 streetlights.
- Greened the city through more than 3500 square metres of park expansion and streetscape projects.
- Accelerated waste avoidance and resource recovery through centralised garbage and recycling hubs.

Read also:

Victoria Unveils First
All-Electric
Bus Depot



Renewable energy leaders

Victoria is on track to achieve 6.3 gigawatts of renewable energy storage by 2035, enough energy to power around half of the state's homes at peak energy use. These targets will create 12,700 jobs and require \$1.7bn in investment:

Key to this is the \$119m 125MW big battery and grid-forming inverter, located between Bendigo and Red Cliffs. Other major renewable energy projects include:

- A 100MW battery and inverter in Terang.
- Two bioenergy projects in Gippsland and Barwon.
- An electrolyser to make renewable hydrogen using recycled water in Wollert.

The state is already home to the Victorian Big Battery, the largest battery in the Southern Hemisphere, outside Geelong.

An exciting development off Gippsland is the nation's first offshore wind region, which is expected to create 6,000 jobs, contribute \$5.5bn to the Victorian economy, power two million homes and save 10 million tonnes of carbon dioxide each year.



Lifian

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Maximising Melbourne's sporting events: A winning strategy for success

Melbourne, known as the sporting capital of Australia, boasts a rich history of hosting some of the most iconic and prestigious sporting events. From the Australian Open to the Melbourne Cup, the city's passion for sports runs deep within its cultural fabric. It is also an important economic contributor, [adding](#) \$9.2bn to the Victoria economy each year and supporting more than 71,000 equivalent full-time jobs, based on 2022 figures.

To truly capitalise on this unique position, Melbourne must adopt a comprehensive strategy that leverages its existing strengths and innovates to create unforgettable experiences for athletes, fans and the global audience.

One of Melbourne's strengths lies in its world-class sporting facilities, including the iconic Melbourne Cricket Ground (MCG), Rod Laver Arena and AAMI Park. Continued investment in maintaining and upgrading these venues is paramount to creating an exceptional sporting experience. Enhancements could range from technological innovations that provide real-time visuals to spectators, to sustainable practices that reduce the environmental impact of events.

Paul Guerra, chief executive of the Victorian Chamber of Commerce and Industry, says we need to seriously consider the long-term future of the MCG and the wider Olympic Park precinct. Guerra has a vision where a train line connects the Victoria Racing Club at Flemington, the show grounds, Marvel Stadium, Melbourne Convention and Exhibition Centre, Crown, Fed Square then onto Melbourne Olympic Park through to the MCG.

"If we have the right connectivity between venues, we can start to develop experiences that really display the strength and diversity of our city," he says.

Melbourne's main sporting fixtures

- » **Tennis**
The Australian Open, held every January at Melbourne Park, is one of four international grand slam events.
- » **The Formula 1 Australian Grand Prix**
Held each March at Albert Park, it's the first race of the Formula 1 World Championships.
- » **Australian rules football (AFL)**
The AFL season starts in March and runs through to the grand final on the last Saturday of September or the first Saturday of October.
- » **The Melbourne Cup**
Held on the first Tuesday of November, it's the race that stops a nation and a key fixture of the Spring Racing Carnival. The Melbourne Cup is the top sporting event in the country in terms of economic contribution and delivered \$422.1m in gross economic benefit to Victoria in 2022.
- » **Cricket**
The Boxing Day test is one of the most famous sporting fixtures in the country and heralds the start of a five-day test cricket match between Australia and a visiting international side.





Melbourne's main sporting venues

» Melbourne Cricket Ground

The MCG – or just the 'G' – established in 1853, has been the home of the Australian Football League since 1859 and was the birthplace of test cricket in 1877 and one-day international cricket in 1971.

» Melbourne Olympic Park

Comprising Rod Laver Arena, Margaret Court Arena, John Cain Arena, AAMI Park, CENTREPIECE and Kia Arena. It has just had a \$972m facelift.

» Marvel Stadium

Opened in 2000 and hosts AFL and Big Bash League events under a retractable roof. It has also hosted UFC, soccer World Cup qualifiers, international rugby union tests and basketball.

» Flemington Racecourse

The home of the Melbourne Cup, Flemington Racecourse also hosts the Spring Racing Carnival and Autumn Racing Carnival.

Community engagement and grassroots development

A vibrant sporting culture starts at the grassroots level. Melbourne has an opportunity to allocate additional resources to support local sports clubs, facilities and programs that nurture young talent. This investment would cultivate a pool of skilled athletes and foster a sense of community and belonging.

Innovative fan experiences

Melbourne could focus on creating more innovative fan experiences. For instance, augmented reality (AR) and virtual reality (VR) technologies could transport fans to the heart of the action, offering an immersive perspective that goes beyond traditional television broadcasts. Fan zones equipped with interactive exhibits, games and merchandise could enhance the overall event atmosphere.

Sustainability and environmental responsibility in sport

As the world becomes increasingly conscious of environmental issues, Melbourne could lead by example by developing a reputation for environmentally responsible sporting events. Implementing sustainable practices such as reduced plastic usage, efficient waste management and eco-friendly transportation options can enhance the city's green reputation and set a precedent for other host cities.



Melbourne: The cultural capital of Australia

Melbourne has long been regarded as the cultural heart of Australia thanks to its vibrant arts scene, multiculturalism, culinary excellence and commitment to education and innovation. Its cultural events, along with its sporting fixtures, make [an important contribution](#) to the \$35bn tourists spend in Victoria each year.

A [\\$1.7m project](#) to transform Melbourne's arts precinct is currently underway to modernise some of the city's most important cultural landmarks. The project includes:

- Funding for the Fox: NGV Contemporary gallery
- A 18,000 square metre urban garden with public art
- Added space for outdoor art and performances
- New restaurants and bars
- Better rehearsal facilities
- Upgrades to Arts Centre Melbourne's Theatres Building

A vibrant arts and entertainment scene

The city is home to an array of world-class cultural institutions, such as the National Gallery of Victoria (NGV), the Australian Centre for the Moving Image (ACMI) and the Melbourne Museum. The NGV, in particular, is Australia's oldest and most prestigious art museum, boasting an extensive collection that spans centuries and cultures. Its exhibitions frequently showcase renowned international and local artists, making it a hub for art enthusiasts and a symbol of Melbourne's dedication to the arts.

Melbourne's commitment to the performing arts is equally impressive. The Melbourne Theatre Company, the Australian Ballet and the Melbourne Symphony Orchestra are just a few of the esteemed institutions that call the city home. The new RISING festival attracts artists and performers from around the world.

The city is renowned for its graffiti-covered laneways that have been transformed into open-air galleries. Hosier Lane and ACDC Lane are just two examples of these colourful, ever-changing canvases, showcasing the talents of local street artists. This unique aspect of Melbourne's arts scene demonstrates the city's commitment to fostering creativity and celebrating artistic expression in all forms. They are important drawcards for tourists to the city.

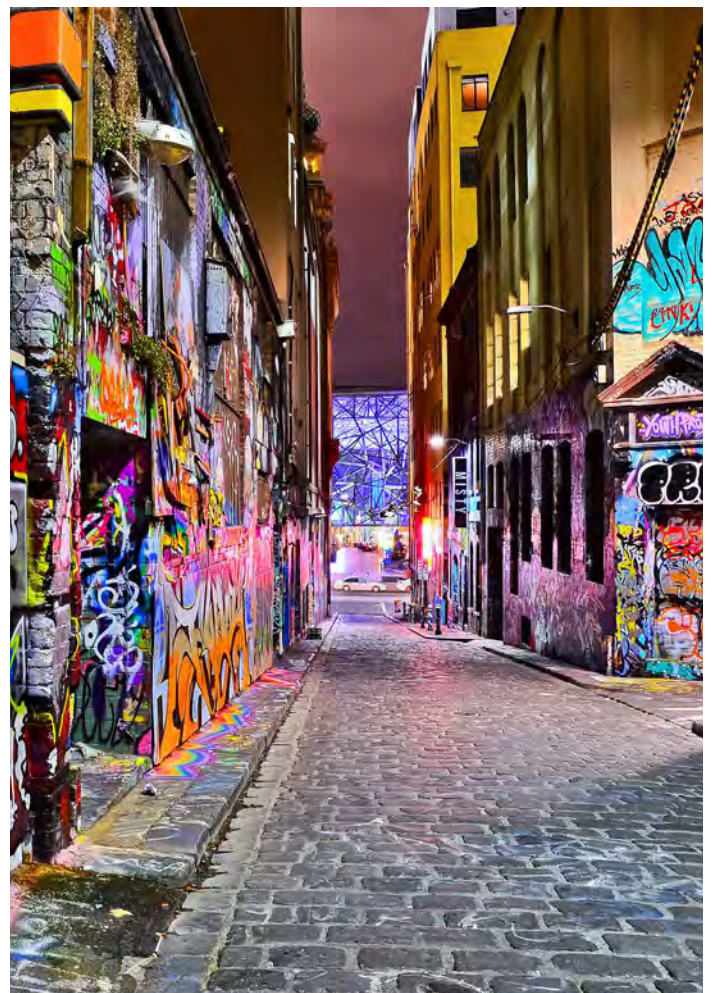
Melbourne's famous laneway culture is not limited to street art but extends to hidden restaurants and cafes tucked away in its winding alleys. These hidden gems are frequented by locals and adventurous food enthusiasts who seek out unique and unforgettable dining experiences. From fine dining establishments like Attica to eclectic fusion restaurants like Chin Chin, Melbourne's culinary offerings cater to every palate and preference.

Travel the world from Melbourne

The abundance of diverse neighbourhoods, such as Chinatown, Little Italy and the Greek precinct, reflect Melbourne's multicultural tapestry. These areas offer an authentic taste of their respective cultures, allowing residents and visitors to explore world cuisines without leaving the city.

In addition to its culinary offerings, Melbourne celebrates its multiculturalism through a calendar of events and festivals. The annual Moomba Festival, for instance, showcases a vibrant parade representing cultures from around the world. The Melbourne International Film Festival screens films from diverse backgrounds, providing a platform for international and independent filmmakers to share their stories.

The city hosts numerous farmers' markets and artisanal food festivals, promoting the region's fresh and high-quality ingredients. Victoria's wine regions, such as the Yarra Valley and Mornington Peninsula, contribute to Melbourne's reputation as a destination for wine enthusiasts.



THE 'SWIFT EFFECT' ON THE MELBOURNE ECONOMY

By Devika Shivadekar, Economist, RSM Australia

Taylor Swift's 2024 concerts in Australia, starting in Melbourne, sparked discussions among central bankers and economists regarding its broader economic implications. While initially implausible to link music tours to inflationary pressures, recent events have challenged this notion. The surge in hotel prices and the anticipated economic impact of Swift's Eras tour illustrate the significant financial footprint of such events, despite their minimal weight in consumer baskets.

Swift's ability to rally fans translated into substantial economic activity, from ticket sales to accommodation, injecting billions into Melbourne's economy. While the transient nature of this surge may not immediately concern policymakers, the phenomenon of 'Taylor Swift inflation' highlights the intricate interplay between popular culture, consumer behaviour, and macroeconomic trends.

Taylor Swift's tour significantly bolstered Melbourne's economy, with NAB reporting an estimated \$174m in additional revenue across just three days from 16–18 February, 2024. Compared to the previous month

during school holidays, metro Melbourne experienced a 33% surge in spending, particularly benefiting tourism, accommodation, and hospitality sectors, which earned approximately \$86m. Businesses around the MCG precinct saw remarkable growth, with accommodation providers witnessing a 238% increase, bars and pubs by 146%, restaurants by 99%, and clothing stores by 67%.

NAB highlighted Swift's role in boosting businesses, noting the international appeal of the tour and its broader economic impact beyond the event itself. Melbourne's popularity as a domestic overnight destination for events like concerts is particularly suited to benefit the city's hospitality sector from significant gains driven by increased demand.

As 'Tay-Tay' continues to break records and redefine the boundaries of success in the music industry, she will continue to remain a compelling figure not only for her fans but also for economists and analysts seeking to understand the intersection of entertainment, economics and society in the modern age.

Sources: 1, 2

Conclusion

With so much going for it, there are a number of goals Melbourne, its leaders, administrators, businesses and residents should keep in mind to ensure it remains one of the World's leading cities.

- The Victorian government needs to address its fiscal challenges to ensure Victoria's Big Build remains on track to support the city's future public transport needs and support productivity.
- All public sector agencies, businesses and the community need to work in harmony to ensure Melbourne can transition to a low-carbon economy.
- Melbourne should continue upgrading its existing sporting and cultural venues to attract and keep its world-class events and visitor numbers and maintain the cool city vibe.
- Businesses must invest in climate change mitigation and reporting.
- The Victorian government must incentivise business formation, with job creation and opportunity for Melbourne, the infrastructure being built today, will provide a higher return on investment.



If these goals are met, Melbourne will continue to enjoy its position as one of the world's best cities for generations to come.

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For further enquiries, please contact our team at RSM:

Kristie Dundon – Managing Partner, Melbourne
Mathavan Parameswaran – National Leader, Technology
Jayesh Kapitan – National Leader, Health
Jean-Marc Imbert – National Head, Risk Advisory Services
Michael Shatter – Director, Probity & Assurance
Evan Tsipas – Director, Financial Services
Simon Aitken – Director, Tax Services
Rita Choueiri – National Director, Life Sciences
Catherine Bell – Director, Climate and Sustainability Services
Linda Romanovska – Director, Climate and Sustainability Services
Dr Mary Wang – Associate Director
Devika Shivadekar – Economist

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