

Paul Fletcher
Minister for Urban Infrastructure and Cities

Speech to Future of Suburbia conference

Wednesday April 18 2018

Introduction

I am very pleased to have the opportunity to speak at this conference about the Future of Suburbia.

The Turnbull Government has a strong focus on Australia's cities. Of course this includes our suburbs - the parts of our cities where the great majority of Australians live.

At the outset I want to explain why we have such a focus on cities.

Next I want to talk about how our cities - and our suburbs - are changing.

In the last part of my remarks I want to describe our policy approach to respond to those changes.

The Turnbull Government's Focus on Cities

Let me start then by making the point that cities policy is a priority for the Turnbull Government. When the Prime Minister announced his first Ministry in September 2015, he had this to say about why he was appointing, for the first time under a federal Coalition government, a Minister for Cities:

Liveable, vibrant cities are absolutely critical to our prosperity. Historically the Federal Government has had a limited engagement with cities and yet that is where most Australians live, it is where the bulk of our economic growth can be found... We have to ensure for our prosperity, for our future, for our competitiveness, that every level of

Government works together, constructively and creatively to ensure that our cities progress.¹

Now one reason for this focus is because most Australians live in cities; we are one of the world's most urbanised nations.

64 per cent of us live in our five biggest cities; 84 per cent of us live in our 21 biggest cities; and almost ninety per cent of us live in cities or towns, one of the highest rates of any country in the world.²

Not only are our cities where most of us live today; in the future the proportion of Australians living in cities and its suburbs is only likely to increase, if we see present trends continuing. Our four largest cities grew at an annual rate of 2.1% from 2006 to 2016, compared to a 1.7 per cent growth rate for our total population.³

Our cities are not just where most of us live; they are also critical to our prosperity and where most economic activity occurs. 80 per cent of economic activity is generated in our eight capital cities and they account for two thirds of employment.

In 2015-16, the capital cities of Australia contributed \$1.17 trillion to the national economy, or 71 per cent of Gross Domestic Product.⁴

Recent work by the Grattan Institute found that 80 per cent of the dollar value of all goods and services in Australia is produced on just 0.2 per cent of our land mass – and nearly all this share is produced in our cities.⁵

¹ <https://www.malcolmturnbull.com.au/media/Ministry>

² https://data.worldbank.org/indicator/SP.URB.TOTL.IN.ZS?locations=AU&page=4&year_high_desc=true

³ ABS-3218.0 Regional Population Growth

⁴ Department of Industry estimates of Gross Regional Product, 2015/16 financial year

⁵ J-F Kelly and P Donergan, 'Mapping Australia's economy—Cities as engines of prosperity', Grattan Institute, 2014, p.1

Now I want to emphasise that this high share of economic activity is generated by our cities – not by the much smaller areas which are the central business districts of our cities.

The great majority of jobs in Australia's capital cities are located outside the city centre, dispersed across a wide range of suburban centres, industrial estates and business parks.

For example, in South East Queensland, 15 per cent of all jobs were located in Inner Brisbane in 2011, with 33 per cent of jobs being distributed across 26 key suburban business districts. This left 52 per cent of SEQ jobs that were not linked to any identifiable business district, but rather were spread widely across suburbia, including high street and neighbourhood district employment, trades employment and work from home employment.⁶

The economic dominance of our cities is only likely to increase as the structure of our economy changes and becomes increasingly services oriented.

Improving the functioning and efficiency of our cities is important for many reasons – but one reason is as a driver of improved productivity.

Recently I was having a weekend family lunch at Barangaroo in Sydney. I was struck by the vibrancy of the area. People love to be there. The area's success and popularity reflects some very clever design – including careful attention to the shops and restaurants located on the ground floor, the extensive use of public spaces, and good transport connections including a ferry terminal and a walkway to Wynyard station.

⁶ Macro Plan Dimasi Suburban Business Centre Review, May 2017

Of course similar principles are at work in the Queen's Wharf Precinct redevelopment in Brisbane.⁷ Precincts like Barangaroo and Queen's Wharf are about utilising scarce land more productively, minimising frictions associated with concentrations of people and activity and in turn allowing people to engage with other people –generating what economists in their attractive jargon describe as the economics of agglomeration.

Promoting economies of agglomeration and managing the frictions associated with concentration of activity and people was a major theme of the Productivity Commission's Five Year Productivity Report released last year.

In the review, the Productivity Commission identifies its top cities policies that they anticipate would lift the level of GDP in the order of \$30 billion. It recommends reforms such as better planning and governance; enhanced land use policies and addressing road funding and investment.

This work by the Productivity Commission and others underlines the economic rationale for the policy agenda the Turnbull Government has been pursuing for Australia's cities.

How Our Cities and Suburbs are Changing

Let me turn then to the way that our cities and suburbs are changing.

As the urban economist Ed Glaeser notes, the technology of the day has played a role in the shaping of cities.⁸ Older cities in Europe are generally denser with narrower streets, built to accommodate people on foot or in carts.

⁷ <https://brisbanedevelopment.com/the-mother-of-all-development-applications-submitted-for-queens-wharf/>

⁸ E. Glaeser 2011, 'Triumph of the City : how our greatest invention makes us richer, smarter, greener, healthier and happier', published by The Penguin Press, New York, p. 12

Meanwhile newer cities, developed after the introduction of the motor car, have wider streets and are more spread out. That has certainly been the case for Australian cities, which have experienced most of their growth since the motor car became dominant. The result has been a pretty clear development pattern.

Our major cities are typically organised on a ‘hub and spokes’ design with the Central Business District at the centre.

While they have more densely populated spines along rail lines built in the second half of the nineteenth century, they have grown very extensively beyond those spines, particularly since the end of the Second World War.

Our cities cover large geographic areas and have low population densities by world standards.

Australian houses tend to be built on larger blocks of land, which can increase amenity for urban residents – but it also poses a range of infrastructure and service delivery challenges, as a more widely spread out population is more expensive to service.

Our cities are now changing in several ways.

Growing populations, with fringe areas now further afield

Our cities have significantly greater populations than they did twenty years ago. Since 1996 Sydney has added 1.2 million people; and Melbourne 1.4 million. Brisbane and Perth’s populations have increased by over 50% since 1996, at 800,000 and 680,000 respectively.⁹

Suburban fringe areas are now considerably further from CBDs than they were twenty years ago. Take for example Cranbourne, south-east of Melbourne,

⁹ ABS-3218.0 Regional Population Growth

50km from the Melbourne CBD. Cranbourne is one of the fastest growing suburban areas in the country. The population has more than doubled since 2006 growing from 40,000 people to over 90,000.¹⁰ Cranbourne is typical of the population growth we are seeing on the fringes of our major cities.

Shift in employment locations

Since the mid-1990s, there has been a restructuring of economic activity with a strong increase in professional and financial services employment. At the same time manufacturing's share of employment has gone from 12% in 2000 to 7% in 2017.¹¹ Similar patterns are seen in most advanced economies.

Services industries benefit from agglomeration effects: locating close to each other, and having access to the pools of highly skilled labour that cities tend to provide.¹²

We are seeing strong increases in job numbers in our CBDs and other areas where services jobs, particularly in knowledge-intensive sectors, are concentrated. In the five years from 2011 to 2016, the Sydney CBD added close to 50,000 jobs. The Melbourne CBD and Docklands added 40,000 jobs.¹³

Smaller blocks, more apartments and townhouses, increasing density and infill

Partly driven by the economic trends I have outlined, we have seen an increase in smaller blocks and more apartments and townhouses. This is important as a response to housing affordability pressures, and also to create greater opportunities for housing closer to where jobs are found.

¹⁰ ABS-3218.0 Regional Population Growth

¹¹ ABS 6291.0.55.003 - Labour Force, Australia, Detailed, Quarterly

¹² Connolly, L. and Lewis, C. 2010, Structural Change in the Australian Economy, Bulletin, September Quarter 2010, Reserve Bank of Australia

¹³ ABS Census of Population and Housing [2011; 2016]

Across Australia the proportion of townhouses and semi-detached dwellings rose from 10 to 13 per cent between 2011 and 2016.¹⁴

This trend is most pronounced in Sydney, where 45% of dwellings are medium-to-high density.¹⁵ But it is being reflected across our major cities; for example Melbourne added almost 17,000 dwellings to its inner city between 2011 and 2016.¹⁶

Our policy approach to respond to those changes

The Turnbull Government has a policy agenda designed to respond to these changes so that our cities remain liveable and productive.

Let me highlight three aspects of our agenda: a strong focus on public transport and particularly rail; support for better integration of urban planning and transport planning; and the use of City Deals as a policy tool to drive these outcomes.

Strong focus on public transport

Let me start with the importance of public transport – particularly as our cities transform. The capacity of rail to move large numbers of people quickly is increasingly important. A train line can move up to 50,000 people an hour, compared to a freeway lane at 2,500 an hour.

The Turnbull Government is a very active investor in rail infrastructure. Just last week we committed to invest up to \$5 billion in the Melbourne Airport Rail Link – connecting Tullamarine Airport to the city of Melbourne by rail for the first time.

¹⁴ Australian Bureau of Statistics, Community Profiles <http://www.abs.gov.au/websitedbs/D3310114.nsf/Home/2016%20Census%20Community%20Profiles>

¹⁵ <https://smart-cities.dashboard.gov.au/all-cities/overview>

¹⁶ ABS Census of Population and Housing 2016

It builds on other rail investments in recent years including \$95 million towards the Gold Coast Light Rail Stage 2 in Queensland; \$490 million for Perth to Forrestfield Airport Rail in Perth; \$42.8 million for Flinders Link in Adelaide, \$1.7 billion for Sydney Metro City and Southwest, and \$67.1 million for Capital Metro in Canberra.

We are also co-investing \$20 million in the development of three business cases for faster rail services between our major cities and surrounding regional areas. Following a competitive process, in March three proposals were selected to receive funding. One of them is a proposal for a faster rail connection between Brisbane and the Sunshine Coast, being developed by the North Coast Connect consortium.

Better integration of urban planning and transport planning

This proposal is also a good illustration of the second aspect of our agenda I want to highlight. The Turnbull Government has a strong commitment to transport infrastructure, not just for its own sake, but because of its importance to the shape and functioning of our cities.

This point was made powerfully in a 2012 report to the Victorian Government entitled *Long Run Economic and Land Use Impacts of Major Infrastructure Projects*. The report analysed the impact of several major projects in Melbourne including the Western Ring Road and CityLoop, and concluded:

The message from this report is clear; major transport investments are a powerful and, perhaps, the pre-eminent policy lever for determining metropolitan structure.¹⁷

¹⁷ *Long Run Economic and Land Use Impacts of Major Infrastructure Projects*, <http://www.sgsep.com.au/assets/Long-run-econ-and-LU-impacts-of-major-infrastructure-projects-SGS-2012-10res.pdf>.

Another good example is importance of rail corridors to urban development. In Sydney for example, around 46 per cent of new dwelling growth between 2001 and 2016 occurred within one kilometre of a train station.¹⁸

So there is clear evidence that transport planning is a major driver of urban development. But it is widely agreed that we do not yet give enough attention to integrating transport and urban planning.

Well known infrastructure economist Professor Henry Ergas observed in his submission to the 2014 Productivity Commission review into public infrastructure:

...land use and transport decisions remain poorly coordinated in virtually every state. They therefore end up imposing costs on each other – in some cases, inefficient land use decisions create pressures for otherwise avoidable transport investment, while in others, better transport investment would help ensure fuller and more efficient use of land.¹⁹

This issue has also been highlighted by Infrastructure Australia. Its 15 Year Australian Infrastructure Plan released in 2016 contained the following recommendation:

Each state and territory governments should deliver and consistently update long-term land-use plans for all Australian cities. These plans should be integrated with corresponding infrastructure plans.²⁰

Urban planning academics Ian Woodcock and Iain Lawrie made a similar observation, about Melbourne specifically, in a recent piece in ‘The Conversation’:

¹⁸ SGS Phase 1 Report: Impact of Rail on Housing Supply

¹⁹ H Ergas 2014, Submission to the Productivity Commission Inquiry into Infrastructure Costs, http://www.pc.gov.au/data/assets/pdf_file/0005/132197/sub087-infrastructure.pdf,

²⁰ Infrastructure Australia 2016, Australian Infrastructure Plan, http://infrastructureaustralia.gov.au/policy-publications/publications/files/Australian_Infrastructure_Plan.pdf, p. 44

Victoria urgently needs a transport plan premised on integrated public transport and land-use planning. Only then might it work toward a liveable city for 8 million people.²¹

The Turnbull Government is quite deliberately seeking to use the Commonwealth's infrastructure spend to drive for better integration of transport planning and urban development.

Transport decisions do not just affect the shape of our cities – they also have a powerful impact on whether our cities function effectively. If people can get to and from work more quickly, if tradespeople and delivery drivers can get more trips done in a day, if it is easier to get the kids to sport on a weekend – that has efficiency, productivity and lifestyle benefits.

Again, this is a fundamental premise of the Turnbull Government's approach to urban transport infrastructure and to cities policy.

That is a key reason why we have made a conscious decision to bring together cities policy and urban infrastructure into the one portfolio. This recognises that perhaps the single most powerful policy lever the Commonwealth can bring to bear to influence the shape and functioning of our cities is the way we allocate our funding for major transport infrastructure.

Use of City Deals

A key policy tool we are using to deliver our policy agenda is what we are calling 'City Deals.'

A very good example is the Western Sydney City Deal, which was recently entered into by the Commonwealth and New South Wales Government together with eight Western Sydney councils.

²¹ I Lawrie, I Woodcock 2017, 'Airport Rail Link can open up new possibilities for the rest of Melbourne', June 30 2017, theconversation.com.au

Over the next twenty years an extra half million people are expected to live in the areas served by these councils. Over 180,000 new homes will need to be built.

The City Deal is a long term plan for the development of Western Sydney - with a particular focus on how to maximise the business-attracting, jobs-generating power of the Commonwealth's \$5.3 billion investment in Western Sydney Airport.

The deal has a big focus on land use planning, with the Commonwealth and NSW Governments to work together to plan the Badgerys Creek 'aerotropolis' near the airport.

The aerotropolis will be a hub for sectors such as advanced manufacturing, aerospace and defence and education and skills – and together with the airport it will form the economic core of a thriving and highly liveable city to be built around it.

Importantly, the Western Sydney councils which are parties to the City Deal have committed to develop a new planning compact. This is intended to provide for consistent, streamlined urban planning throughout these council areas.

As part of the City Deal the Commonwealth and NSW Governments have announced a commitment to construct a rail line - from St Marys to the Badgerys Creek Aerotropolis via Western Sydney Airport - with a shared objective to have rail to the airport by the time it opens.

This is stage one of what is ultimately envisaged as a multi stage North-South Rail Line. This will shape the new Western Parkland City as development is drawn to the rail corridor - indeed it has been described as the steel spine of the new city.

As Australia's population grows, more Australians are choosing to live in our biggest cities – in the business jargon, they are 'winning share'. Some see this as very concerning.

We see arguments like those of former NSW Premier Bob Carr who once famously said, 'Sydney is full.'

But Bob Carr's attempt to pull the doona over our collective heads did not work. It simply meant that from 1995 to 2011 we had sixteen lost years where the NSW Labor Government failed to plan adequately for the growth Sydney was experiencing.

The Turnbull Government's approach, by contrast, is to work with state and local governments to build longer term plans for our large cities, integrating new transport links, new urban development and housing release, and attracting new jobs into growth areas.

These are certainly central themes of the Western Sydney City Deal – and they underpin our approach to urban infrastructure around Australia.

Conclusion

Let me conclude as I began, with the observation that most Australians live in our cities – and in turn that means most Australians live in the suburbs of our cities.

Our cities and suburbs are changing – and it is important that we have policies to respond to and capitalise on those changes.

That is why the Turnbull Government has a strong policy focus on our cities. We want to work with state and local governments to keep Australia's cities productive, efficient – and great places to live.