

## **BUILDING A BIG AUSTRALIA: FUTURE PLANNING NEEDS OF OUR MAJOR CITIES**

**Address to the Business Council of Australia by Prime Minister Kevin Rudd**

**27 October 2009**

### **CHECK AGAINST DELIVERY**

Tonight I want to discuss a core element of our nation's long-term infrastructure reform.

One that has been part of our national economic policy debate for many decades.

One that is critical to achieving our goals of lifting productivity, tackling climate change and improving the lives of millions of Australians.

I refer to the future planning of our major cities.

The government in the months ahead will release a new Intergenerational Report.

One of its key conclusions is that by 2049, Australia's population will rise by 60 per cent to reach a total of 35 million people.

This will have enormous implications for our major cities.

Most of these 35 million people will live in our cities.

By 2049, Sydney and Melbourne will each hold almost seven million people – adding around three million to their current populations.

Brisbane will more than double in size to reach four million.

Perth will reach almost three and a half million.

Adelaide will grow to over one and a half million.

Hobart, Darwin, and Canberra will also continue to expand.

Australia's rapid population growth will have profound implications for our destiny as a nation.

The century ahead stands to be the greatest century of economic growth and nation-building in Australian history.

I have said before that I believe in a big Australia.

This is good for our national security.

Good for our long-term prosperity.

Good in enhancing our role in the region and the world.

The time to prepare for this big Australia is now.

But managing that population growth will be challenging.

The Intergenerational Report will lay out the challenges posed by this growth.

These challenges underscore the need for national leadership in planning the future of our cities.

Tonight, here in the nation's largest city, I will set out the first steps in the Australian Government's vision for national leadership in the growth and development of our major cities.

First, I would like to make some general remarks on Australia's economic outlook.

As you know, it is now just over 12 months since the Australian Government took action in response to the global financial crisis and the worldwide collapse in economic growth.

On both financial and economic metrics, early stages of the current global crisis rival the severity of the Great Depression.

- Global stock markets fell by just over 20 per cent in the first 12 months of the Great Depression. In the first 12 months of this recession, global stock markets fell by nearly twice that – more than 40 per cent off their peak.
- Global industrial output fell by around 13 per cent in the first 12 months of the Great Depression – almost identical to the fall experienced in this recession from the peak in April 2008.
- Global trade fell by 10 per cent in the first 12 months of the Great Depression. This time it fell by 17 per cent.

There is still considerable uncertainty about how the global recession will unfold and how quickly the global recovery will occur.

But a comparison of these two periods shows the current global crisis began with the same force as the Great Depression three quarters of a century ago.

Direct and decisive government action around the world during the past year has pulled financial markets and the global economy back from the abyss.

Global financial markets are recovering.

The spread on the LIBOR rate – the interest that banks charge when lending to each other compared to the risk free rate – has come down from around 365 basis points at the peak of the crisis to around 13 basis points today.

Global stockmarkets have recovered strongly since their lowest point in March this year.

The Dow Jones Index in the US has since risen by 54 per cent, and the Australian All Ordinaries index is now up 56 per cent.

The real economy is also showing some signs of improvement.

Due to the combined efforts of the G20 to stimulate the global economy, the global recession is now expected to be shallower than previously expected.

Recovery is still a long way off, but the IMF is now projecting a contraction of 1.1 per cent in the global economy this year – while just three months ago in July it had forecast a contraction of 1.4 per cent.

Remember, however, this year will be the first year since the IMF began keeping records that the global economy will actually contract.

Likewise, the IMF has lifted its global growth forecast for 2010 from 2.5 per cent to 3.1 per cent.

Australia has acted strongly and decisively at home to complement this global action on financial markets and stimulus to support the real economy.

Australia has shown remarkable strength compared to the major advanced economies:

- We are the only advanced economy to have registered positive economic growth in the past year.
- Second, we have the second lowest unemployment rate of the Major Advanced Economies.
- Third, we have the lowest budget deficit of all the Major Advanced Economies, at 4.9 per cent of GDP, compared to a forecast average deficit in the Major Advanced Economies of 10.1 per cent of GDP in 2009.
- Fourth, we have the lowest debt of all the Major Advanced Economies. Government net debt as a share of GDP for the major advanced economies is projected to increase to 93.4 per cent. By contrast, Australia's net debt is projected to peak at 13.8 per cent of GDP in 2013–14, before it starts to fall again as our economy moves into a strong period of growth.
- Fifth, we are the only advanced economy not to go into recession.

These are the cold hard statistical facts which are unlikely to feature in the Liberals' campaign advertisements next year on the evils of debt and deficits.

The alternative to the government's stimulus strategy would have been to plunge the economy into recession – with more than one million unemployed and with crippling consequences for business and consumer confidence.

Furthermore, consistent with the principles of conservative economic management, the government has expanded its role as the private economy has contracted, and will contract the role of government as and when the private economy recovers.

The most fashionable recent contribution to this debate by some in the commentariat is that the government should now abandon its fiscal stimulus – an argument that often comes from those who argued that the government's stimulus strategy would be ineffective in the first place.

This represents the triumph of ideology over reason.

It ignores three fundamental facts.

- First, the path to global recovery is still far from certain – as confirmed recently by my counterparts at both the G20 in Pittsburgh last month and at the East Asia Summit on the weekend in Thailand.
- Second, the pattern of the Australian economic recovery is itself less than even.
- Third, the government's stimulus strategy, 70 per cent of which is being invested in economic and social infrastructure, is precisely what stimulus strategies are intended to be – timely, targeted and temporary.

By the end of the current financial year, two thirds of this stimulus will have been invested.

In fact, the intensity of our intervention peaked in the second quarter of 2009.

By early 2010, the inbuilt contraction within our strategy, as designed from the start, will already be making a negative contribution to GDP growth.

Nevertheless, the government remains mindful of the need to make any future adjustments depending on further global and national economic data.

Our economy is expected to operate below capacity for some time, and unemployment is still expected to rise.

Australia has managed the crisis well.

Our next challenge is to manage the recovery.

That means making a careful, coordinated exit from the extraordinary fiscal and monetary policy settings and financial market interventions that the crisis demanded.

That is what we intend to do – and in a manner that does not weaken the prospects for recovery.

The Reserve Bank has begun to move interest rates from their emergency 50-year lows.

As for fiscal consolidation, this will unfold in two parts.

The automatic drawdown of our stimulus strategy combined with the fiscal rules outlined in May, to return the budget to surplus – by keeping real expenditure growth to 2 per cent once trend growth has returned to the economy, and by allowing tax revenues to recover.

But beyond disciplined macroeconomic policy, central to our agenda for recovery and future prosperity is the government's commitment to drive future productivity growth.

In addressing the Business Council almost three years ago, in my first major address as the Federal Labor Leader, 'Building Long Term Prosperity', I said that, "the new battleground for economic policy must now focus on the microeconomic debate and specifically, how we raise flagging productivity growth".

We have been advancing this agenda since coming to office, through:

- The creation of a seamless national economy, collapsing 27 sets of conflicting regulations into a streamlined set of uniform rules. Four of these 27 reform areas will be substantially complete by the end of the year, and almost all of the remainder are on track to meet agreed milestones.
- A qualitative and quantitative education revolution.
- Productivity-enhancing infrastructure investment by both the public and private sectors.
- A communications revolution through a National Broadband Network.
- And maximising our global competitiveness through targeted tax reform.

Tonight I want to focus on the role of our cities in our agenda to build long-term productivity growth.

The previous government vacated the field on future planning for our major cities.

More broadly, the previous government vacated the field on infrastructure per se – as this was passed off as the responsibility of the states, despite their financial and in many cases planning constraints.

There was a failure of planning, a failure of coordination, a failure of investment and a failure in service delivery.

The BCA is well aware of the shortcomings in our nation's infrastructure planning and development, and this was a focus of the *2005 Infrastructure Action Plan for Future Prosperity*.

The government that I lead was elected to tackle the challenge of providing national leadership for long-term infrastructure planning and investment.

It is my intention to get on with the job.

As Minister Albanese said in August, “the Commonwealth's recent exile from the urban policy arena has ended”.

That is why we are taking the next step in setting out the Australian Government's reform agenda for our nation's cities.

An agenda that does not supplant the essential roles of the states, territories and local authorities, but which builds a new national partnership for better planning and productivity, and a better quality of city and suburban life.

Around the world, nations are grappling with the challenge of planning for the cities of the future.

The forces of the global economy are driving rapid urban growth and requiring governments to re-think their approach to the planning and development of cities.

Last year, with very little comment, the world passed a remarkably significant milestone.

For the first time in world history, a majority of humans now live in cities and towns rather than rural areas.

In other words, we have tipped the scales and become an urban planet.

Or as the United Nations Secretary-General Ban Ki-Moon says, we have entered the Urban Century.

Cities today are essential to the prosperity of our national economy.

They produce a large share of the goods, services, ideas and people that shape our world.

In many ways the competition for investment, skilled workers, international events and for business now occurs between cities, rather than countries.

Because cities are now so vital to economic success and to citizens' well-being, national governments are now playing a much greater role in planning and delivering growth.

That's why when the government took office, we moved quickly to establish Infrastructure Australia and within it a Major Cities Unit.

Just this month, the British government launched the Infrastructure Planning Commission to make sure the UK has strong power, water and transport systems in its cities.

And in February, weeks after taking office, President Obama established a White House Office of Urban Affairs to oversee what he described as a “reinvention of all America’s cities and metropolitan areas”.

As the OECD’s 2006 report on Competitive Cities in the Global Economy argues, national economic strategy can no longer ignore the characteristics of cities that shape economic performance, social cohesion and environmental conditions.

The report adds, and I quote: “National urban policies in the past have been reactive and remedial, not pro-active and dynamic. Urban issues (must) be given greater visibility and higher priority in national policy...”

Since coming to office, the government has established a framework for national leadership on the infrastructure of the future.

We have made unprecedented investments in infrastructure, water, housing, education and energy.

We made a historic \$35.8 billion investment in transport infrastructure.

We are the first national government to invest significantly in urban passenger rail infrastructure – with more than \$4.6 billion of funds.

We have invested substantial funds in our nation’s capital cities:

- An upgrade of the rail freight route north of Sydney; upgrading the F5 from Campbelltown; and undertaking pre-construction works on a 25 kilometre metro rail line from Parramatta to the CBD.
- An upgrade of the Ipswich Motorway to relieve congestion to and from Brisbane’s industrial hub.
- Melbourne’s Regional Rail Express, the first major new rail line for the city in 80 years.
- Adelaide’s busy Gawler rail line; extending the Noarlunga line to Seaford and extending the innovative guided busway, the O-Bahn.
- Perth’s Northbridge rail project that will sink a section of the Perth-to-Fremantle line, freeing up 50,000 square metres of land in the heart of Perth.
- A major expansion and upgrade of the Port of Darwin and upgrading Tiger Brennan Drive.

This is a substantial increase in investment in transport infrastructure compared with the previous government.

All up, our government is investing more than double the previous government on road infrastructure.

Quadruple the amount in rail infrastructure.

And for the first time, the Commonwealth is making an investment in the nation’s port infrastructure.

In total, these and other investments represent a massive commitment to Australian cities, and to the regional economies that support them.

The reason why we are making these investments is simple.

The future of our cities will substantially shape the future of our nation.

Australia, famously, is one of the most urbanised nations on earth.

The nation that once rode on the sheep's back now rides on the M2, M4 and M5 into Sydney and on the Epping, Lilydale and Werribee lines into Melbourne.

- Nearly two-thirds of Australians live in our capital cities.
- Nearly 85 per cent of Australians live in an urban area.
- And nearly half of all Australians – or nearly 11 million people – live in Sydney, Melbourne or the great city of Brisbane.
- In 2006 our capital cities produced at least 65 per cent of national GDP.
- And more than two-thirds of new jobs are created in capital cities.

Capital cities are the hubs of our innovation economy, gateways to the global economy and the centres of our road, rail and broadband networks.

Nearly two-thirds of the value of international sea freight is handled through a major city port.

And more than 80 per cent of international passenger movements take place through Sydney, Melbourne or Brisbane airports.

Cities connect our farms, mines and rural areas to world markets.

They often hold the corporate headquarters of regionally based companies.

One of the mistakes in debates about infrastructure and planning is thinking that cities and regional areas are in competition and governments must choose to favour either cities or the regions.

Having spent most of my early years growing up in country Australia, and most of the past three decades in different cities, I'm convinced this is a myth.

The prosperity of urban, suburban and regional Australia are strongly interlinked.

The prosperity of both our cities and regions depend on each other, so that planning for the separate needs of regional Australia and metropolitan Australia is in the interests of the whole nation.

Transport bottlenecks in our cities can undermine the competitiveness of exports from our regions.

Just as poor regional water infrastructure can raise prices for the fresh food consumed in our cities.

That is why tackling the future challenges of our major cities is so important to our nation's long-term prosperity.

The investments we have made represent only the first steps in meeting the challenges of the future for our major cities.

We must now move forward to tackle the three key challenges of the future for our major cities:

- Building productive cities – with efficient transport and communications networks.
- Building affordable, liveable city communities.
- Building sustainable cities.

The first of these areas – building productive cities – describes how cities link people to jobs, goods to transport and to ports, and businesses to research and development clusters, supply chains and customers.

Better transport connections bring people and firms together. They concentrate knowledge, skills and inventiveness to create new economic opportunities.

In other words, they enhance connectivity.

To quote Sir Rod Eddington, chair of the United Kingdom's 2006 Eddington Transport Study and now chair of Infrastructure Australia: "Good transport systems support the productivity of urban areas, supporting deep and productive labour markets ... Transport corridors are the arteries of domestic and international trade."

Sir Rod's study is supported by leading British economist Professor Tony Venables, who found that cutting travel time in Britain by just 10 per cent could raise national productivity by as much as 1.2 per cent.

But cutting congestion and travel time is about more than just trying to increase national productivity and GDP.

It is also about giving people the chance to spend more time with their friends and families, helping the kids with homework or playing sport – rather than sitting in a traffic jam on congested roads.

These things are not necessarily reflected in GDP numbers, but they are of great importance to our quality of life.

In Australian cities, bottlenecks in our rail and port systems are also imposing huge financial costs on our exporters and on businesses in general.

It is estimated that road congestion by 2005 was contributing an avoidable cost of \$9.4 billion.

And if we fail to act, that cost will double in the next decade.

One of the factors driving the increased reliance on road usage is the long-term underinvestment in public transport networks.

In many places, those networks are under great pressure.

And in some of our suburbs, especially on the fringe, they're simply missing.

Despite all that, public transport use in our cities is growing at a faster rate than car use.

Our second great urban challenge is to build affordable, liveable cities.

For many Australians, the problem of housing affordability has become acute in recent years.

Of course there has been some relief recently with lower interest rates and the First Home Owners Boost.

We established the Housing Affordability Fund to help reduce the costs of new homes by tackling the barriers developers face in supplying affordable housing.

Through COAG, we are developing national performance measures for development assessment to improve transparency and accountability for planning systems.

Nevertheless, we still face the challenge of not enough new housing being built and affordability remaining a significant problem.

That is why we are increasing the housing supply through our investment in social housing and the National Rental Affordability Scheme.

In making cities more liveable, as well as more affordable, we must ensure that communities are not separated from jobs and services.

Isolated communities breed social exclusion and entrenched disadvantage.

Urban planning is therefore an important part of the long-term agenda to build a fairer Australia.

Increasing density in cities is part of the solution to urban growth, alongside greenfield development.

Both forms of development need to be fully integrated with current and future transport networks and other infrastructure and services.

The third great urban challenge is to build sustainable cities.

I have said before that climate change requires a whole of government response – including both adaptation and mitigation.

Climate change is another reason why the national government must be engaged in cities policies.

Directly and indirectly, cities make up an estimated 70 per cent of Australia's greenhouse gas output.

Cities face major challenges from the impact of climate change, as do our regions.

We must make long-term investments in transport networks that minimise carbon emissions.

We must prepare for fresh water supplies coming under increasing pressure.

Building practices and regulations will need to change so our homes and workplaces are energy efficient and environmentally sustainable.

And cities will need to prepare for the impacts of climate change – including the risk of coastal inundation, highlighted by a report of a House of Representatives inquiry released last night.

Our nation has 80 per cent of the population on the coast.

We have to manage the impact of rising sea levels and increased risk of flooding on our cities and coastal areas.

A national approach is needed – that is why we will work closely on the problem with state and territory governments, coastal councils, natural resource management bodies and experts in developing a response to the inquiry.

To address this complex, connected set of challenges, and to lift our urban productivity, we must establish new frameworks for how the different levels of government, along with businesses and the community, work together to build better cities and suburbs.

Governments across the nation are now working to integrate long-term urban planning and infrastructure investment.

Most have in place or are preparing metropolitan plans to address the challenges of growing populations, land supply, infrastructure rollout, housing and the management of growth corridors.

However, while some capital city planning frameworks are good, implementing them has proved far more difficult.

As President Eisenhower said, the plan is nothing, the planning is everything.

With Australia facing rapid growth in the decades ahead, the time has now come for the Australian Government to take a much greater national responsibility for improving the long-term planning of our major cities.

History shows that when the Commonwealth steps into the urban arena, working in partnership with the states and territories, it has played a strong and positive role.

From the Chifley Government's great postwar urban plan through the first Commonwealth–State Housing Agreement.

To the Whitlam Government's huge investments in sewerage and community infrastructure for our outer suburbs.

To the Hawke–Keating Government's Building Better Cities program that built new infrastructure and affordable housing, sparking renewal in our major cities.

Once again, as we enter the second decade of the 21st century, the time has come for national leadership in our long-term city planning.

Clearly, the Commonwealth should not take over state responsibilities for land planning or have a direct role in the day-to-day decisions of state and local governments.

As Minister Albanese has said, no Commonwealth Minister wants to decide development applications or where to lay sewerage pipes.

But we must recognise the economic reality of the 21st century.

The national government has a clear responsibility to provide national leadership in the development of strategic planning frameworks for our largest cities.

That is why, working with state and territory governments, we established the Council of Australian Governments Cities Taskforce.

We created the Major Cities Unit within Infrastructure Australia to identify opportunities where national leadership can enhance the prosperity of our cities and the wellbeing of their citizens.

We have also created the Australian Council of Local government so that we can hear from, and talk to, all levels of government involved in economic development.

And in August I met for the second time with the Council of Capital City Lord Mayors and we agreed to work in partnership to address climate change in capital cities.

Tonight I announce the next step to integrate these initiatives into a new, national strategy.

In partnership with the states and territories we will now propose the development of national criteria for the future strategic planning of our major cities.

The first in our country's history.

And, the Commonwealth will now consider linking all future infrastructure funding to compliance with these criteria.

If the Commonwealth is to foot any significant part of the urban infrastructure bill – the Commonwealth will legitimately expect to have confidence in the integrity of the strategic planning system in our major cities.

The goal is that our cities have strong, transparent and long-term plans for growth and high-quality urban development.

That our cities are productive, liveable and sustainable.

Specifically, the new criteria for the strategic planning systems in our major cities should focus on:

- Providing for planned, sequenced and evidence-based land release that meets the housing needs of a growing population and keeps homes affordable.
- Balancing in-fill and greenfield development.
- Implementing credible plans to reduce greenhouse gas emissions – through initiatives such as energy efficiency measures, changes to town planning, practical improvements in public transport infrastructure and reform of building codes and regulations.
- Adapting to the risks of climate change such as coastal inundation and more extreme weather events.
- Emphasising world-class design and associated architectural integrity.
- Providing for building and upgrading nationally significant infrastructure, such as transport corridors, intermodal connections and communications and utilities networks.
- Providing for governments to take into account independent, expert advice on the objectives and implementation of their planning system.

- Providing an effective framework for private sector investment and innovation in the urban infrastructure given that with the fiscal constraints on governments, the nation will need to harness private capital.

We will also need new Commonwealth–state arrangements to jointly assess performance against these criteria and to advise on how performance can be improved.

These arrangements will build the spirit of mutual co-operation, determination and goodwill that characterises the attitude of all Australian governments towards this challenging agenda.

Therefore in 2010 through COAG we propose to develop – in consultation with the states and territories and the Australian Local government Association – the first ever national criteria for the future strategic planning of our major cities.

Since coming to office, the Australian Government has forged a new constructive working relationship with the states and territories.

Tackling key challenges in health, education and water reform.

Helping create a seamless national economy.

Helping deliver a National Broadband Network.

Helping close the gap with Indigenous Australians.

Today the Australian Government proposes we begin building a new partnership.

A new commitment to long-term reform of city planning in the interests of national productivity and sustainability.

The new national engagement in our cities that I have signalled tonight is designed to survive the test of future years.

I know the BCA will provide important input to this agenda and I look forward to working with you.

I urge all Australian governments, companies, community organisations and citizens to work with us to build the productive, liveable and sustainable Australian cities of the future.

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**Source: [pm.gov.au](http://pm.gov.au)**