



Speech

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Cities, Competitiveness and Australia's Comparative Advantage: 2014 Utzon Lecture Series

Introduction

Thank you Bill.

And thank you for inviting me to give the Utzon Lecture.

It is great to be back at the university where I studied.

Whenever I walk past the Sydney Opera House, I am always struck by two things.

The first is a scene from Kenneth Clark's wonderful series, 'Civilisation'.

Clark is standing in the centre of Paris, surrounded by the Louvre and Notre Dame Cathedral, and he says: "What is civilisation? I don't know. I can't define it in abstract terms – yet. But I think I can recognise it when I see it and I am looking at it now."

When I look at the Opera House, I have the same feeling.

The second thing I am reminded of when I look at the Opera House is what it represented, and continues to represent, about our nation and our culture.

For me, the Opera House, and all the controversy that surrounded it, had the effect of catapulting onto the world stage a different, more modern, more ambitious image of Australia.

It made Sydney a genuinely global city.

Tonight, I want to talk about cities and their role in unleashing our potential, as people and as societies.

They are a fundamental representation of the character of our civilisation.

I believe the time has come to put a vision for the future of our cities to the top of our social, economic and political discourse.

Because without that vision, or without the political leadership and courage to drive it, we will leave a seriously inferior legacy to future generations.

As John F. Kennedy said in 1962: “We will neglect our cities to our peril for in neglecting them, we neglect the nation.”

In making the case for a renewed focus on cities, I want to cover four themes:

- first, I will explain briefly what I mean when I speak about a “city”
- secondly, I want to talk about the role that cities have played and will continue to play in our economic, cultural and social wellbeing
- third, I will set out the major global shifts that will govern the cities in the future
- finally, I want to outline what I believe should be a cities agenda for Australia.

What is a city?

So, how do we think of a city, and why do these notions matter?

There is a great deal of academic literature on the typologies of cities. And, as the people from this faculty would attest, there is also much conjecture and debate.

I would argue that the best starting point for a discussion about the role and function of Australian cities is to take the broader view of what they are, and what they can be.

We have to plan for different types of cities, including their corridors and their satellite suburbs. We must develop a deeper understanding of the economic, spatial and environmental dynamics of our cities.

The notion of what constitutes a city is important because many of the mistakes in planning, governance and infrastructure stem from the application of a very narrow definition.

A definition that fails to reflect how people, and businesses, connect and interact with a multiplicity of centres, not just a central CBD.

Sydney, for example, is often referred to as a polycentric city. That is, a region organised around several social, economic and housing centres.

Planning Sydney’s transport links is doomed to fail if it doesn’t take account of how these centres interact with each other.

In the same way, the overall planning of Sydney has to come to terms with the dynamics of Western Sydney that now – and in the future – is a powerhouse for jobs and opportunity.

But Western Sydney is also a collection of quite unique places – Bankstown, Cabramatta, Parramatta, Liverpool, and so on.

The importance of WestConnex is that it recognises Western Sydney as a region with its own purpose and identity, rather than a dormitory suburb of the Sydney CBD.

A renewed focus on cities should both confront the broader dynamics in play now and, importantly, begin to anticipate how they will change over time.

We have to start proactively planning for what will be very large cities and large urban environments, even by world standards.

We have to imagine Sydney and Melbourne with populations of eight million people each by 2050.

London is a city of eight million people.

Just think about the infrastructure that is in London. The amount of reinvestment and planning they have undertaken to improve the economic performance and liveability of that city.

I was in China a few weeks ago and I can tell you that the Chinese are thinking and actively planning for their current and future cities.

They have very clear views about the purpose and role of different cities.

The Chinese are not leaving the development of their cities to chance.

And while I am not advocating a central planning approach for Australia, I am saying that accidentally becoming a city of eight million people will lead to very poor outcomes indeed.

The role of cities

This brings me to the role of cities and why we need to actively plan their future.

First and foremost, cities are where most of us live:

- today, 90 per cent of Australians live in urban areas
- three out of every five people live in a capital city
- we are one of the most highly urbanised nations in the world, with more than a third of all Australians living in either Sydney or Melbourne.

Not only are cities where we live, they are also the main drivers of prosperity.

In Australia, cities contribute 80 per cent of our GDP growth and employ 75 per cent of the workforce.

Over the past 10 years, employment has grown 40 per cent faster in major urban centres than in the rest of Australia.

Cities are centres of collaboration, creativity and innovation.

Creative individuals flourish when they are surrounded by the talent, ideas, capital connections and multiple institutions offered by cities.

Above all, cities are important because of the role they play as an organising concept for our society.

They shape our personal and professional lives and lifestyles.

Just think about the question ‘where are you from?’

For most of us, the city we grew up in, or live in today, is an integral part of our identity.

The key question is how we imagine, design and construct our cities so that they can best fulfil all of these roles.

A new context for cities

To answer that question, we first have to come to terms with some of the forces of change that will shape our cities and our urban environments.

If we accept that we need to actively plan for the future of our cities, we should in turn accept that the context in which we are planning is profoundly different and requires a substantial mindset change.

The first of these forces is globalisation.

It’s not hard to imagine a world where cities are the centres of global economic competition.

Indeed, we may be on the cusp of a return to the Renaissance-style ‘City State’.

Let’s consider some of the data:

- by 2050, two-thirds of the world’s population will live in a city
- by 2025, just 600 cities will be responsible for two-thirds of world economic growth
- and, of these 600 economic powerhouses, 200 will be in China
- that is, 200 Chinese cities will be responsible for an estimated 30 per cent of global economic growth.

So, when we think about Australia’s economic competitiveness, we may need to re-conceive the very fundamentals of the competitive landscape.

Instead of Australian cities competing with each other, we need to think about competing with Singapore, with Chengdu, Hong Kong, Mumbai, Dallas, and the policy settings that will allow us to do this.

When companies think about accessing global markets, they need to be thinking about tapping into the supply chains of the mega cities around the world.

Because these cities will, in and of themselves, offer opportunities of a scale that will be very material to many Australian companies.

When we think about attracting the best and brightest people to Australia to help us to compete in the global economy, it will be our cities, and the lifestyle and opportunities they offer, that give us a comparative advantage – or not.

Another significant force for change, of course, is technology and digital disruption, and what it means for reimagining the cities of the future.

In the last five years, there has been a fivefold increase in the number of adults using the internet via a mobile phone.

Business models are in a state of tremendous change and disruption. One quarter of Australian businesses now derive more than half of their income from the internet.

Consumers are dictating how services will be provided. And companies are sharing more and more information through social media, web-forms and call centres.

The way we connect, the way we work, will be profoundly different because of these forces.

We will see the proliferation of digital hubs, online shopping on a mass scale, smart homes, connected health care and digital business services.

Now, think about how our cities are planned and constructed.

Large office buildings, large shopping centres, large hospitals, large aged care facilities and large universities.

Will these be the built form of the future? I doubt it.

Even the conceptualisation of what constitutes a city could be profoundly different, and we need to imagine this so we can plan for it, rather than resisting it.

If managed properly, technology holds the key for solving many of the major dilemmas confronting our urban environments.

In Townsville, smart water metering is reducing household water consumption by between 15 and 30 per cent.

In Brisbane, free-flowing tolling systems have reduced traffic accidents by 86 per cent.

In summary, as IBM has noted, in this smart era that we are entering, significant gaps will open up between cities that proactively transform their networks, systems and operations for the digital age, and those that pursue a business-as-usual model.

The final force of change I want to highlight is our transforming demography.

This includes the ageing of our population, the increasingly diverse ethnicity of our cities and the decline in household size:

- between now and 2050, the number of older people aged between 65 and 84 is expected to double
- 85 per cent of people born overseas live in an urban area
- one-person households are the fastest growing household type in Australia and they will account for 28 per cent of all households by 2030.

There is always a risk of labouring statistics but the point is this:

There are profound and unstoppable changes happening in the way we live and in the dynamics of work. And I believe we are not ready.

We take too long to get things done.

There is no real national debate and focus on the cities agenda. Let alone putting that debate in a global or technologically relevant context.

Nobody is holding the torch to the states about housing supply and transport congestion.

Nobody is holding local government to account.

We are, putting it simply, muddling through.

And what does muddling through mean? Well, it means the community is fed up with congestion, our competitiveness is failing and our living standards are at risk.

Unless we adopt a more purposeful approach to the planning, design and governance of our cities, the community will continue to push back on the entire concept of population growth.

And make no mistake, slow or declining population growth will lead to slow and declining economic growth, and this is an unacceptable future for this and the next generation of Australians.

A new cities agenda

So, let's think about a cities agenda for Australia around three pillars:

- the first involves vastly more purposeful planning around population, land use, economic development, technology and the funding and provision of infrastructure
- the second is a reinvigorated approach to design and liveability
- and the third is to get our institutional settings right to achieve real change and build the community's confidence.

Population, land use, economic and infrastructure planning

Let's start with the more purposeful planning of population, land use, economic development and infrastructure.

This has to begin with a national view about the size and composition of Australia's population.

How it will grow, where people will live, and how much we need to be investing to protect and enhance our quality of life.

Australia needs a population strategy, supported by the Intergenerational Report prepared by the Federal Treasury every 5 years.

A proper population strategy would set clear goals for what we want to achieve through population growth:

- like responding to an ageing population
- like ensuring we have a skilled workforce for the jobs of the future
- and being clear about our immigration targets to fulfil those goals.

It would identify the main policies to achieve sustainable growth, for example, metropolitan planning strategies, regional economic development plans and sound environmental regulation.

It would identify infrastructure implications and investment priorities, and it would set up a system for monitoring and tracking our performance against shared national policy goals.

Assuming we have a national population strategy, we need to build on that with more effective metropolitan land use, economic and transport planning.

There are some good examples of this across the country, but they either fail in their implementation or they fail in their lack of integration.

It seems that whenever I hear about a new metropolitan plan, I know we will be promising more than we will deliver.

But it remains a core part of any national cities agenda and we need to make some important improvements:

- Metropolitan strategies need to be outcomes focused.
- They need to be supported by planning instruments that are incentives based, not vehicles for micromanagement by bureaucrats.
- They need to be visionary and integrated. They need to link transport, economic development, housing, water and the environment.
- They need to think about the spatial implications of the technological change I've talked about.

A starting point for good metropolitan plans may be to rethink the spatial dynamics of cities from suburbs and centres to corridors and hubs.

These corridors will be the gateways to jobs, to housing, to efficient transport linkages and to innovation and collaboration.

Whenever I go to the North West Corridor in Sydney, as I did the other day, I am astounded by the:

- amount of jobs being created
- the amount of major businesses that are operating there
- how it is now the home of some of our major technology companies such as Microsoft, CSC and Foxtel.

This provides a dynamic precinct for innovation and building the knowledge infrastructure in tandem with Macquarie University, Cochlear and the highly innovative Macquarie Private Hospital.

Around 50 per cent of NSW gross state product is now concentrated within this global economic corridor. And it's estimated that 173,000 new jobs will be created in this corridor by 2031.

This did not happen by accident; people planned it.

Infrastructure

We need to be far more purposeful in the planning and financing of our physical, economic and social infrastructure.

With growing cities and greater urban density, we need to use our existing infrastructure more efficiently.

We have to open our minds to the technological change and infrastructure that we cannot yet imagine.

Our infrastructure spending will need to include investment in the technology to create smarter cities.

State governments should have rolling 15-year infrastructure plans, linked to their fiscal strategies.

We need to be more creative about how we fund and finance public infrastructure.

We must be honest with the community that infrastructure is not free. We either have to pay for it through taxes, or user charges.

If we want to realise the potential of the vast amount of private capital available, we have to move to:

- full cost recovery
- road user charging
- recycling public assets to free up funds for new priority projects
- be vastly more disciplined in the use of cost–benefit analysis.

Let me make an important additional point here.

Utzon's Opera House is not a good example of rigorous cost–benefit analysis and planning discipline.

I doubt whether it or the Harbour Bridge would have passed today's cost–benefit analysis process.

Which leaves us with a conundrum. How do we use these important disciplines to empower vision and creativity, rather than to stifle it?

The tools we use to prioritise projects must be able to accommodate a longer-term view of the world.

The Business Council of Australia, which I head, champions the application of rigorous cost–benefit analysis, but perhaps it is time we checked that these tools are fit for purpose now and into the future.

Let's not forget, the M5 in Sydney was subject to a cost–benefit analysis.

I doubt the people who are sitting in the daily 40-kilometre tailback would feel that the cost–benefit analysis has worked for them.

The National Broadband Network, on the other hand, is an example of what can go wrong when you don't do a cost–benefit analysis.

We were on the road to committing staggering amounts of public money without testing the technology assumptions or prioritising where the network could accelerate our productivity and competitiveness.

Design and liveability

The second pillar of my cities agenda for Australia goes to design and liveability.

For all our codes and rules and micromanagement of development, it is very hard to give us more than a 'pass' on this feature.

There are great examples, I know, but it's the patchiness and lack of predictability that concerns me.

And I just don't understand why we can't get this right.

When I visit the Chinese cities I referred to earlier, Hong Kong, Shanghai and Chengdu, I ask myself: "What is it about the way the Chinese plan these cities – the confidence, the vision, the sense of legacy they bring to the task – that motivates and empowers them to stop and think about the beauty of the built form."

These are cities in a country under enormous population pressure.

But they have not traded off aesthetics for pure functionality.

I say this knowing that it's not all good. There are some pretty ugly parts of Shanghai.

If I think about developed countries, what was it about the governing parties of New York who created Central Park and some of the most beautiful buildings in the world?

What was it about the early governing parties of NSW that inspired them to set aside land for the Royal National Park in Sydney?

To preserve the land for Centennial Park?

Imagine trying to retrofit a Botanic Gardens in every capital city today. Good luck with that!

Indeed, what was it that prompted Premier J.J. Cahill in 1956 to call for a design competition for the Opera House and then to fight for Utzon's design.

I don't know the answers to these questions but I absolutely believe that the key to getting cities right is in their design:

- the design of our buildings
- the design of our urban environments
- making room for the technology of the future
- the design of good policy and good planning instruments to tackle problems over the long term.

As examples, we can look to new cities that have been built from the ground up using cutting-edge design, such as Songdo in South Korea. Or we can look at older cities, like Vienna, which has reinvented itself and now ranks as the world's smartest city.

The time has come to really use smarter planning codes and assessment processes. We need to incentivise good design.

Here in this university, you must take the design torch forward. And the concept of design thinking should not be quarantined to the architecture faculty.

Institutions

Getting the right institutional arrangements for cities in a federation is a very complex thing. And our federation's history is littered with mistakes and missteps, and some grand achievements.

As someone who had the sewerage put on by the Whitlam Government, I can tell you it changed my family's life and made winters a lot easier.

There are obvious areas where the Commonwealth does, and should, play an important role.

This primarily relates to our nationally significant and gateway infrastructure.

If we accept my earlier hypothesis that the competitiveness of our cities will define the competitiveness of our nation, then Infrastructure Australia should identify major urban and regional projects that will lift our productive capacity.

But when it comes to whether the Commonwealth should be micromanaging city planning or urban transport projects, I'm less convinced.

Some things just can't be done well from Canberra.

But I do believe the Commonwealth should use its fiscal superiority to compel the states to reform their planning systems, and produce ambitious and integrated land use and transport plans for their capital cities.

This is not about lecturing the states on how to do planning, but it may involve setting targets and indicators for those matters that have national economic effects.

This includes housing supply, the efficiency of gateway infrastructure and so on.

If I turn to state governments, while their role is clearer, they do need to look at their own institutional settings.

I would argue that states need to have empowered, independent planning agencies that are part of the economic, rather than environmental, portfolios.

I would argue that it is time for the Planning Acts of every state to be modernised to better equip them to manage mega projects and more regionalised planning.

I would argue that state governments should establish targeted, highly empowered urban authorities to manage major urban renewal, or significant new developments.

And local government reform has to be a priority if we are to get cities right. (Although I've come to think that local government reform will still be on the backburner when we've colonised Mars.)

In some states, there are just too many of them.

In all states, their performance is patchy and their capability is often not up to the task of the complex urban and regional environments they now find themselves managing.

It will be a disaster for Sydney if we cannot get some bipartisan commitment for the rationalisation of local government boundaries.

The planning of our global city, so vital to our national competitiveness should not be held hostage to enclaves of elites.

Its planning needs to be organised around sensible regional, economic, transport, services and knowledge and innovation corridors.

Conclusion

In closing, I want to make the point that perhaps the most important part of a cities agenda for Australia is collaboration:

- collaboration between the levels of government
- collaboration between the public and private sectors
- deep collaboration with the university sector.

At this campus, which has undergone a design revolution itself since I was a student here, we need to find ways to unlock your ideas and your creativity.

We need to be building this into our institutional settings, not just as an afterthought but into the DNA of how we go about things.

The broader community, though, is central to the imperative of collaboration.

Planners, decision makers, academics and business leaders need to reach out constantly to the community.

We have to create a positive vision of how well-managed population growth in wonderfully designed and thought-out cities will enhance people's lives.

I fundamentally believe in the good sense of people, and I believe in their capacity to follow great leaders with great vision.

We have to turn the community's cynicism and frustration into confidence and optimism.

We need a cities agenda that sets in train a burst of creative energy that will make our cities the most beautiful, the most liveable, the most innovative and the most prosperous in the world.

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