

Urban sprawl hits productivity

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AUSTRALIA'S ever-growing urban sprawl has become a devastating drag on the nation's productivity, as insufficient new homes are built in major cities and workers find it harder to commute to city centres.

A report by the Gillard government's powerful Infrastructure and Transport Department, to be released today, reveals the gap between population growth and housing supply is "now the largest and most sustained in a century".

It finds cities are beginning to "shrink in on themselves" as

manufacturing plants that were on the fringes and in industrial zones are replaced by banking, legal and other business services.

This is forcing more and more workers to commute to the city CBDs because housing is being built on the outskirts and not enough homes are being built near jobs and transport hubs.

However, train systems — the only mode of transport capable of carrying large numbers of people into urban centres quickly, with one rail line carrying as many people as a 10-lane freeway — are already at or near capacity in the larger cities and face a multi-billion-dollar funding hole.

Infrastructure Minister Anthony Albanese will use the release

of the report into the nation's 18 major cities today to declare that Australia must develop a mechanism for large-scale urban renewal in suburbs close to the city centres and transport hubs, and to call for urban planners to make narrowing the distance between where people live and work their No 1 focus.

"One thing we do know is that how well we plan, invest in and manage our cities will determine how well we prosper in this powerful Asian region," Mr Albanese says in a speech to be delivered in Melbourne. "Our cities have to be

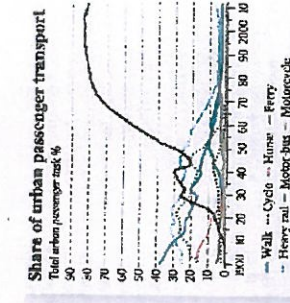
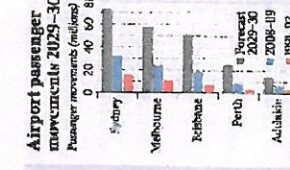
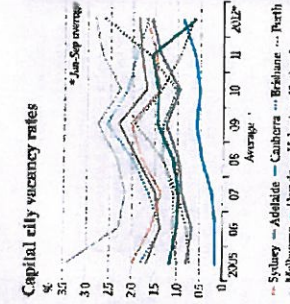
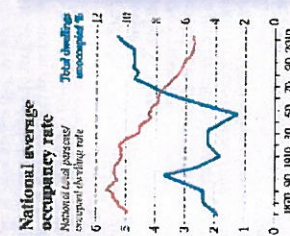
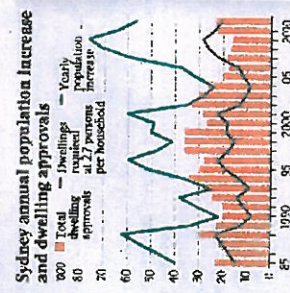
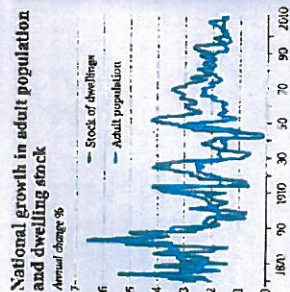
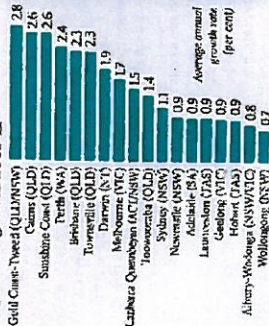
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COAG COVERAGE P2
BUSINESS P20

Urban sprawl hits productivity as housing void leaves workers stranded

CRISIS LOOMING IN OUR CITIES

Population growth 2001-11



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more productive." The Asia Century white paper led by former Treasury secretary Ken Henry also warned that bottlenecks were emerging in some of the major ports and that limitations at Sydney airport were likely to have a "sizeable" impact on operations from 2015, noting that this was a "particular issue" for state and territory governments as they had responsibility for much of the nation's infrastructure.

Launching the report today, Mr

Albanese will argue that efficient transport is the key to arresting the decline in national productivity growth and say that Australia seems to be "at a crossroads in our housing".

He will also vow to use next year to advance work on the Council of Australian Governments reform agenda by measuring whether cities are improving in areas such as public transport use, traffic gridlock, air quality, housing affordability and urban density.

The report, produced by the

Major Cities Unit in Mr Albanese's department, warns that Australia has entered into the longest period of static or falling productivity growth for more than 30 years. However, the report also states that for overall quality of life, Australia ranks as one of the top three countries in the world.

It also finds that implementation of the national urban policy — developed by the Gillard government as it has taken a more interventionist role in the planning and priorities of the cities — is "well underway".

On rail and metro buses, the report says that this is already at or near capacity and that this is made worse by an unsustainable financial model because fares are too low, even compared with low-density cities such as Washington DC and San Francisco.

Sydney's mass transit system recovers 24 per cent of its operating costs through the fare box, Melbourne recovering 31 per cent and Perth 38 per cent.

For Canberra's bus system, users pay just 17 per cent of the cost of operating it — meaning even if

Rail operators must either hike fares — a move that would be politically difficult when the Coalition has campaigned aggressively on the cost-of-living pressures on families — or follow the system used by Asia, Britain and the US operators to develop property along public transport corridors.

"If not, the flow-on effects to national productivity could be considerable," the report says.

Mr Albanese will back the concern today, saying that capacity on the busy rail systems must be increased. On housing,

Mr Albanese will warn "we are not building enough homes". "We need to be at a crossroads in our housing," he will say in the speech. "We know we cannot keep building at the same rate on the outskirts of our cities yet at the same time we are not building enough homes near our transport hubs and employment centres."

The report says the gap between population increases and the housing supply has started to increase housing occupancy rates, while the premium for living near and rail services they needed as a result of planning shortfalls.

real value of a house close to the CBD has increased more than fivefold since 1986 in Sydney and Melbourne, while one 50km from the city centre has doubled.

Kenal incomes have increased "virtually without interruption" since rental controls were lifted in 1949 and vacancy rates are below 1 per cent in Canberra, Darwin and Perth.

In April, a report by the COAG Reform Council found that taxpayers were not getting the road and rail services they needed as a result of planning shortfalls.

Source: "The Dependent of Infrastructure and Transport, September 2012, ABS, SQM research, Productivity Commission (2011), Australian Historical Population Statistics 2008