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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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 “significant” impact on operations from 2013, 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 meeting the 60.1 million productivity and say that Australia needs 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 reforms agenda by measuring whether cities are improving 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 has not taken a more significant role in the planning and priorities of the cities — it “isn’t working”.

On rail and metro lines, the report says that this is largely due to a lack of 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 covers 44 per cent of its operating costs through the fare box, Melbourne recovering 21 per cent, and Perth 38 per cent.

For Canberra’s bus system, using just 17 per cent of the cost of operating it — including even if fare jumped 50 per cent, only 20 per cent of costs would be recovered.

The report says this situation is not sustainable. “In the absence of new revenue, it will be difficult to fund any new investment in transport infrastructure or operations,” the report finds.

“The current financial model also means that the cost benefits of reducing car journeys and public transport corridors. “If not, the flow-on effects in national productivity could be considered,” the report says.

Mr Albanese will back the concerns today, saying that capacity on the bus and rail systems must be increased. On housing, the real value of a housing block to the CBD has increased more than the CBD’s population growth between 2006 and 2011, while 105km from the city centre has doubled.

Rental incomes have increased “virtually without interruption” since rental controls were lifted in 1949 and vacancy rates are below 1 per cent in Melbourne, 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.