



ENGINEERS
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Australian Government's role in the development of cities

Standing Committee on Infrastructure, Transport
and Cities

31 July 2017



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1. Introduction and Overview

Engineers Australia is the peak body for the engineering profession in Australia. With the largest membership of any engineering organisation across Australia, we represent all disciplines and branches of engineering. Engineers Australia is constituted by Royal Charter to advance the science and practice of engineering for the benefit of the community.

We are grateful for this opportunity to contribute to the Committee's inquiry into the Australian Government's role in the development of cities. Our comments address part 2 of the terms of reference "growing new and transitioning sustainable cities and towns".

Engineers Australia advocates driving productivity growth through infrastructure development. But many parts of Australia suffer from an infrastructure deficit and a key contributing factor is that typically infrastructure planning lags land use development. In these circumstances the lack of infrastructure is a drag on productivity. To contribute to productivity growth infrastructure provision should occur simultaneously with land use development. To succeed in growing new, and transitioning existing, regional cities and towns, integrated land use and infrastructure planning ahead of population growth is essential. Unless this occurs, we will simply repeat the mistakes of the past and not achieve effective decentralisation.

Effective land use and infrastructure planning, especially in a decentralisation context, requires national population planning. This connection is not new and was made in Infrastructure Australia's national plan, but the relevant recommendation was rejected by the Commonwealth government in its response. Population policy is not simply about population growth and its components. It also encompasses existing and alternative population distributions and how alternative distributions compare and could be achieved. Engineers Australia believes that the decision by Government to not support Infrastructure Australia in this area should be reconsidered. Unless this occurs decentralisation will continue to be problematic.

Another key to effective decentralisation is connectivity. Modern business models rely on efficient connectivity between in-house business elements and specialist services provided by other enterprises. Connectivity for this purpose involves the application of modern digital communications as well as personal face to face contact. Connectivity is also essential to take an enterprise's products and/or services to market in either a national or international supply chain. Although much has been achieved to improve connectivity between regional cities, capitals and international destination, progress has been slow and insufficient to sustain the degree of competitiveness necessary for decentralisation.

In summary, Engineers Australia believes that decentralisation away from capital cities is a sensible option for policy makers to pursue. Lessons from the past include failure to adequately plan, failure to understand what population policy is about and poor connectivity that means new decentralised enterprises are not economically competitive. Finally, aggregate demand needs stimulating and private sector investment is indispensable. We encourage the Committee to consider innovative options, such as the CLARA proposal discussed in section 4 of this submission, as a major departure from the past.

2. Population and population policies

The Australian Bureau of Statistics regularly publishes projections of the Australian population based on assumptions that are only slightly different to the status quo situation. The latest projections were released in 2013¹, and though some years old, give an insight into the future size and distribution of Australia's future population. More importantly, the rate at which the future population grows has been with us for some time and is the benchmark against which government policies on infrastructure should be gauged.

By 2030, Australia's population is projected to increase by 7.4 million to 30.1 million² at an average annual rate of 1.6%. The projections suggest that population growth in capital cities will be much higher than in the regions, so that almost two-thirds of the increase to 2030 will be in these cities with only 29% in other locations, including all of Australia's smaller cities. The populations of Sydney and Melbourne will increase to over six million; Brisbane and Perth will increase to over three million and the other capitals will experience similar growth. Only in Queensland will population growth outside the capital rival growth in the capital. In other words, if the objective for decentralisation is to locate more than 29% of expected population growth outside of capital cities, the way to achieve this change is the main policy question.

Australian cities already have a serious backlog of infrastructure development. The supporting evidence is found in Infrastructure Australia's National Infrastructure Audit and the subsequent Australian Infrastructure Plan³ and in the review of Public Infrastructure by the Productivity Commission⁴. At present, only NSW has commenced a substantive program of investment that is a major departure from past trends. This purports to be state-wide, but the focus is squarely on transport in Sydney. Although the projects being undertaken are large, implementation is planned over many years emphasising just how challenging the physical and financial aspects are. It is problematic whether these investments are sufficient to cater for the surge in population expected in the next twelve years.

This situation points to the serious disconnect between infrastructure development, land use planning and infrastructure planning. Australia's national population policy is in effect its comparatively high immigration intake which is renewed each annual budget. The inadequacy of this approach was reflected in recommendation 2.2 in Infrastructure Australia's national plan. Population policy is not simply about the overall size and rate of growth of the population, but also its distribution and how alternative distributions could be achieved. The Government's reluctance to adopt Infrastructure Australia's recommendation demonstrates a reluctance to seriously address the issue of population distribution⁵.

In our view, the substance of the Committee's inquiry cannot be achieved without the information contained in a comprehensive national population policy. The absence of this

¹ ABS, Population Projections, Australia, 2012 to 2101, Cat No 3222.0, November 2013, www.engineersaustralia.org.au

² Note, these figures reflect the situation at their release rather than 2017.

³ Infrastructure Australia, Australian Infrastructure Audit, Our Infrastructure Challenges, April 2015 and Australian Infrastructure Plan February 2016, www.ia.gov.au

⁴ Productivity Commission, Public Infrastructure, Inquiry Report No 71, May 2014, www.pc.gov.au

⁵ Department of Infrastructure and Regional Development, The Australian Government's Response to Infrastructure Australia's Australian Infrastructure Plan, November 2016, www.infrastructure.gov.au

information means that land use and infrastructure planning will continue to be driven by a catch-up approach, a situation not conducive to productivity growth and improvements in community well-being. Migration policies are important to the composition and skill levels of the population, but are not substitutes for population policies. We know that new migrants show strong preferences to locate in capital cities thus contributing to the projections outlined above and limiting the growth potential of locations outside the capitals. Without concerted action for change, present growth patterns will remain entrenched.

Accordingly, Engineers Australia recommends that the Commonwealth Government reconsider its decision to not support Infrastructure Australia's proposal to adopt a national population policy. Without information about future population distribution as well as size, land use and infrastructure planning will continue to be hampered, the growth of capital cities will continue in line with projections and efforts to influence the development of Australia's smaller cities will continue to be hamstrung.

Recommendation: The Commonwealth Government should reconsider support for the Infrastructure Australia proposal to adopt a national population policy.

3. Land use and infrastructure planning

The reasons why regions grow can be summarised as follows:

- Infrastructure such as energy, water and telecommunications are available; promises of future availability are not a substitute and could produce perverse outcomes. Infrastructure is and should be treated as an investment in the future rather than narrowly as a cost of present day transactions.
- Accessibility; this is covered in some detail in Section 4.
- Human capital and educational institutions; modern businesses are knowledge based and attracting suitably qualified staff is a key factor. Maintaining and developing the capacity of human capital is facilitated by access to higher educational institutions and by access to complementary enterprises.
- Demand; at the end of the day, people will not move to regional cities or new ones unless there are secure jobs. Marketing and promotion are not sufficient to achieve this. What is required is a stimulus to demand for the region's products and/or services either locally or further afield. As an example of new ways of thinking, in the Consolidated Land and Rail Australia (CLARA) proposal discussed in Section 4, the stimulus to demand is a major boost to construction of the high speed railway and construction of eight new cities and the prospects of trade with other locations.

Engineers Australia believes that land use and infrastructure planning should be undertaken in an integrated way. Recommendation 4.1 of the National Infrastructure Plan proposes that state and territory governments deliver long term regional infrastructure plans that identify gaps in infrastructure and productive industries, involve all levels of government to eliminate duplication and to allow government funds to be leveraged to maximise private investment. The response by the Commonwealth was to support the recommendation, but noted that the responsibility rests primarily with states and territories.

Similarly, recommendation 2.5 which is that governments should aim to grow the population of smaller capital cities and recommendation 2.6 which extends 2.5 to Newcastle, Wollongong, Geelong, the Sunshine Coast and the Gold Coast were supported by the Commonwealth, but qualified as being the responsibilities of states and territories. These qualifications are classic chicken and egg dilemmas. Engineers Australia believes that these qualifications are intended to reflect the reality of Commonwealth-State responsibilities, but without a concerted effort to break the historical cycle of dysfunctional relationships, change will not occur.

Engineers Australia supports the Infrastructure Australia recommendations mentioned above and believes that the way forward is for the Commonwealth to leverage development and infrastructure funds in arrangements with state and local governments and with the private sector in exchange for states and territories producing the desired plans. Included in such arrangements should be integrated land use and infrastructure plans necessary to secure expansion and identification and removal of unnecessary impediments to private sector involvement. This approach is consistent with the Budget announcement of a pronounced shift towards funding infrastructure using loans and equity finance.

Recommendation: The Commonwealth should leverage development and infrastructure funds in arrangements with state and local governments and with the private sector in exchange for states and territories producing long term regional infrastructure plans.

4. Connectivity and productivity

Modern industry policy recognises that business models have changed from the self-contained, vertically integrated enterprises of the past to enterprises that focus on core business connected to national or international supply chains. Functions once undertaken by the enterprise itself, for example design and technical assistance, are now accessed from external service providers. Connectivity is critical to the success of such enterprises to enable them to interact with specialist business partners, and subsequently, to bring products and/or services to market in either local, national or international supply chains.

Connectivity is critical irrespective of location in existing capital cities, in smaller cities that are being encouraged to grow faster or in new cities. When connectivity between locations, whether it is between different locations in a large city, or between a regional city and its capital and/or ports, is well developed, it becomes feasible to develop new enterprises and encourage the growth of existing ones. Early attempts to formulate decentralisation policies for Australia failed largely because connectivity was poor and resulted in uncompetitive circumstances.

In the modern economy, digital connectivity is critical and the completion of the NBN is the key to achieving this. Present plans see the NBN being completed in 2020. We believe the Committee should explore with relevant experts the question of whether the completed NBN will be sufficient to meet the digital connectivity necessary for an enterprise located in a regional city to be competitive in a national and/or international supply chain. Competitiveness is the critical issue here, not the attributes of any particular technology. We also believe the NBN project is slower to completion than it should be. Completion a year earlier would make a huge difference.

Connectivity also involves physical transport of people for face to face interaction and the transport of products and services to their intended market. In the 2017 budget, the Government announced its support for the construction of the Inland Railway. We agree that projects like this are an important element for freight connectivity between Melbourne and Brisbane and locations in between. We note and agree with the reference in the proposal to construct connecting lines between the Inland Railway and off-line locations such as Sydney. We also support the application of leveraged financial arrangements instead of more common infrastructure grants. However, project completion is over a decade away. We believe this timetable is far too slow and should be accelerated as part of a concerted policy to encourage population and economic decentralisation.

Over the past decade, freight railways have been steadily upgraded, contributing to easing freight congestion on main roads and on the entry roads into capital cities. Once again, these programs have been underfunded, slow and piecemeal compared to investment by Governments in other infrastructure. All forecasts see the volume of freight transport increasing exponentially and it is our view that investment in freight transport infrastructure, particularly rail, is not keeping up.

Many regional cities are not located on an existing or proposed railway line and regional air transport options are also limited. Personal and freight transport is overly reliant on roads and, according to the Infrastructure Audit, roads that often have seen better days or were designed and built for more limited requirements. Although infrastructure plans and strategies frequently profess strong support for upgrading these facilities, actual on-the-ground progress is barely keeping pace with demand and is unlikely to support decentralisation.

Internationally, physical connectivity has been addressed by building fast train systems. In mid-2017, Consolidated Land and Rail Australia (CLARA) Pty Ltd announced plans to build a high speed rail network between Sydney and Melbourne via Canberra⁶. The proposal encompassed new stations in these cities and stations in each of eight new cities to be built along the route. The proposal was for value capture techniques to be used to fund the construction of the network and the new cities. Relevant to this proposal is the recent Infrastructure Australia report on the reservation of transport corridors. The proposal would require the cooperation of the three levels of government.

The CLARA proposal offers long term economic benefits to regions and the two capitals it plans to join through the investment of private sector funds and government funds are not being sought. The proposal would be a major stimulus to demand and appears to respond well to the Committee's terms of reference. Since the announcement little has been heard about the proposal which is "being examined by relevant levels of government". We note the persistent calls from government for greater private sector involvement in infrastructure developments contrasts sharply with the cool response to this proposal. Whilst Engineers Australia is not endorsing the CLARA proposal, it does serve as a case study for how innovative solutions are considered by government infrastructure planning agencies.

Recommendation: The Commonwealth should give greater emphasis to connectivity in terms of both physical and technology connectivity and embrace innovative proposals to enhance both.

⁶ See www.clara.com.au

5. Conclusion

In summary, Engineers Australia believes that decentralisation away from capital cities is a sensible option for policy makers to pursue. Lessons from the past include failure to adequately plan, failure to understand what population policy is about and poor connectivity that means new decentralised enterprises are not economically competitive. These views are reflected in the recommendations we offer:

- **The Commonwealth Government should reconsider support for the Infrastructure Australia proposal to adopt a national population policy.**
- **The Commonwealth should leverage development and infrastructure funds in arrangements with state and local governments and with the private sector in exchange for states and territories producing long term regional infrastructure plans.**
- **The Commonwealth should give greater emphasis to connectivity in terms of both physical and technology connectivity and embrace innovative proposals to enhance both.**

Finally, aggregate demand in Australia is weak and discourages private sector investment in decentralisation activities. We encourage the Committee to consider ways to stimulate demand, such as the CLARA proposal discussed in section 4 of this submission, as a major departure from the past.

To discuss the contents of this submission further, please contact Andre Kaspura, Engineers Australia Policy Advisor, on (02) 6270 6581 or via email at AKaspura@engineersaustralia.org.au.



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