



UDIA Submission to the *Sustainable Population Strategy for Australia Issues Paper*

The Urban Development Institute of Australia

The Urban Development Institute of Australia (UDIA) is the peak body representing the property development industry throughout Australia. Our members cover a wide range of specialist and industry fields, including: Developers, Valuers, Planners, Engineers, Architects, Marketers, Researchers, Project Managers, Surveyors, Landscape Architects,, Environmental Consultants, Lawyers, Financial Institutions, State and Local Government Authorities.

UDIA aims to secure the economic prosperity and future of the development industry in Australia, recognizing that national prosperity is dependent on our success in housing our communities and building and rebuilding cities for future generations.

Introduction

The importance of having an appropriate policy settings to balance the need to grow our population base and at the same time invest in essential infrastructure to ensure that this is done in a sustainable way has been the subject of extensive public debate. The Government's Intergenerational Report has highlighted the decline in the number of people of working age.

In his last public presentation speaking on ABC radio 5 March 2011, the outgoing head of Treasury Ken Henry highlighted the urgency in addressing this issue and noted that "*There is a sense of complacency in the broader community that hasn't put the political system under as much stress as it felt itself under in the 1980s.*"

It is inevitable that Australia's population will continue to grow, and is likely to grow beyond 36 million. In order to maintain sustainable growth and a competitive economy, and to be able to pay for the health and welfare of older generations, we need to continue to have a growing population. At the same time, we need to ensure that some of the consequences of that growth, such as congestion, housing affordability and infrastructure shortfalls, are taken account of and alleviated.

The future challenges facing Australia are clearly understood. The arguments are not around the forecasts or the figures. The arguments are now around what this means for the future of Australia. Many people, it has been reported, were scared by the notion that there would be 35.9 million people living in Australia by 2050. It has been said that this was particularly

true in areas that are currently over-crowded and/or serviced by poor infrastructure. When the forecast began to be perceived as a target, some were even more scared.

The change of Prime Minister changed the focus from “population growth” to “sustainable population growth”. UDIA considers that this is an important shift in focus, and maintains that liveability and sustainability has been diminishing by state governments inability or unwillingness to ensure that key infrastructure is built ahead of, or at least commensurate with, development.

Key issues

The key summary points of this submission are:

- A larger Australian population can also be a “sustainable population”;
- Investment in infrastructure must keep pace with demand and the infrastructure deficit rectified;
- The Sustainable Population Strategy must be integrated with the National Urban Policy to protect against declining housing affordability;
- Population growth of regional centres should be supported.

UDIA Policy

UDIA considers that a growing population, serviced by appropriate and expanding infrastructure, is good for the economic and social welfare of Australia. Population growth is a vital component of Australia’s economy, and UDIA believes that economic fundamentals and the labour market should drive our population and employment policy.

Of particular concern to UDIA is the current shortage of skilled labour in the building and construction sector.

UDIA supports the Federal and state governments establishing short/medium/long term population forecasts to allow for the orderly planning of infrastructure and land release.

The productivity growth of the resource states of Queensland and Western Australia rely on access to skilled labour. The Western Australian economy is expected to rise steadily over the next few years, reaching 6.25 per cent in 2012-13 (CCI WA, 2010) and the WA Department of State Development estimates that up to 26,000 skilled workers will be required within the next three years and 400,000 in the next ten years.

UDIA considers that all Australian governments should work with the development industry to ensure that there is an adequate supply of good and affordable housing to attract skilled labour to areas where they are needed. Growth areas must be connected to high quality infrastructure, of the type and location where people want to live.

Benefits of a Larger and Growing Population

The UDIA considers that a larger Australian population can also be a “sustainable” population. The aim should be to ensure a prosperous economy with a high quality of life,

and ensuring social cohesion and environmental sustainability. A population policy should balance these issues.

UDIA sees major benefits in a larger and growing population, including in areas of workforce participation, productivity, and alleviating the fiscal impact of an ageing population.

Work force participation

The Intergeneration report says that the labour force participation rate for people 15 years and over will decline from 65 per cent today to less than 61 per cent by 2050. The drop is due to the baby boomer generation retiring, which will significantly impact the dependency ratio, falling from the current five working people to support every Australian over 65 years of age, down to 2.7 by 2050. As more women enter the workforce and stay in work longer, the fertility rate is unlikely to increase, unless more choice is given to women about their participation in work. A larger, younger population is therefore needed to arrest this trend – either by a higher fertility rate (offset as it would be by lower female workforce participation) or higher levels of skilled migration.

UDIA considers that an emphasis on skilled migration is a way of maximising the immediate benefits of the immigration. That said, UDIA also supports the family reunion and humanitarian programs.

Productivity

Productivity is a key driver for Australia's future growth prospects. Just as a sustainable population policy cannot ignore the impacts of infrastructure on amenity, it should also ensure that productivity is considered as a priority. Red tape needs to be slashed and productivity-supporting infrastructure needs to be built in order to keep the Australia competitive.

Infrastructure Investment

Most people are looking to live somewhere where they have an acceptable level of amenity: access to comfortable, affordable housing, access to work, access to recreation and leisure activities, and access to shops.

Appropriate infrastructure will drive demand for areas identified for growth. People want to be connected and have public transport and transport corridors.

For growth to be sustainable, people need jobs, transport, infrastructure and a mix of housing. These fundamentals are the same for regional or urban development.

It is clear that in some parts of the country that there is a large amount of negative sentiment towards growing the Australian population. Every day in our capital cities, people experience the pressures that have been placed on infrastructure – especially transport congestion – and house prices continue to rise.

Governments, particularly state governments, are responsible for ensuring that infrastructure investment keeps pace with local needs. This suggests that there is a need for state governments, and the Commonwealth government, to find ways to ensure that our infrastructure deficit is rectified and not allowed to fall behind again. There is a major need to governments to focus on infrastructure investment in order to keep pace with population growth. In some states, however, the burden is placed on new home buyers, with rising and unsustainable levies, which decrease housing affordability, used as a method of funding infrastructure that is needed by, and used by, the whole community.

While governments plan and build new infrastructure in transport, ports, water, hospitals and energy generation, it will require more working-age Australians not just to undertake the work but also to fund it.

The development industry is in a key position to assist the Government to develop and deliver a blue-print to help achieve viable infrastructure.

Urban Planning and the Environment

Continuingly worsening housing affordability is sometimes cited as a reason to slow or decrease the population. It is important that any population policy is integrated with a National Urban Policy, focusing on reducing red tape, ensuring an adequate supply of houses both in greenfields and infill areas, and addressing inefficiencies in the tax system, including state and council developer levies.

Planning is essential to minimise the environmental impact of population growth (including biodiversity and habitat corridors, rivers, water usage, using renewable energy sources and reducing greenhouse gas emissions). States must devise and implement blueprints for growth and identify a diverse range of areas - including urban infill and greenfield development – to accommodate population growth.

Development need not be at the expense of the environment. There are very strict environmental controls on development so that environmental standards must be at the forefront of every development, ensuring minimal overall impacts on flora and fauna biodiversity. A larger population can be accommodated without making a negative impact on the environment. It may be that, as a result of a larger, more prosperous nation, we are able to invest even more in on environmental management.

Australia has water and land in abundance. While the recent (and in some parts, continuing) drought highlighted the lack of investment in water storage and the need for desalination plants and more water sensitive urban design, it also shows that water is not an inhibitor to growth and should not be used as an argument against it.

Regional Centres

A large proportion of immigrants are attracted to the capital cities, particularly Sydney and Melbourne. It is important that there are good links between the capital cities and the regions of the states to encourage current residents and new migrants to take up opportunities to move to regional areas.

UDIA considers that the regions should be strengthened; significant growth in the population of Australia's medium sized cities would produce a range of economic and social benefits.

In relation to infrastructure Dr Henry noted *"We do have to find a way as a country of respecting the importance of having sustainable levels of public debt, respecting the importance of being able to present ourselves to international capital markets as a safe place for capital investment and at the same time be able to finance investments in public infrastructure which have high social benefit to cost ratios."*

Further, he says *"It's very clear that the population growth that we've experienced to date, to give us a population of 21-22 million has not been sustainable population growth in that sense. And yet I can imagine a set of policies, a set of regulations, a set of taxes which would be commensurate with a sustainable population considerably larger than the one we have today."*

Regional Status in Adelaide is an ideal example of connecting the capital cities to regional centres. South Australia's Regional Status is invaluable for population growth. It is also the 'front door' for immigration to SA's regional areas. This status is a draw-card for many skilled migrants and boosts population growth. Regional Status in Adelaide helps SA meet State Strategic Plan targets including productivity, labour and sustainability. It also ensures that Australia's growth is 'balanced' in terms of sustainable use of resources and 'connectivity' across the nation.

Conclusion and Recommendations

UDIA considers that population policy cannot be looked at in a vacuum. It is important that work being done by Minister Albanese on cities is integrated with work being done by Minister Bowen on immigration and this current work being done by Minister Burke on sustainable population.

There is no doubt that there will be increasing global competition for skilled labour. UDIA considers that there is an urgent need for policy reforms to ensure that Australia's population can continue to grow in a sustainable way that will enable the country to compete for skills and labour that will be required to maintain prosperity over the coming decades.

Australia is a country with a small population and a large land mass and we can maintain and increase our population growth rate and population size without it being unsustainable if proper investment and planning is undertaken.

A decline in the rate of population growth would be bad for our economy in the short term and potentially catastrophic in the long term.

In summary, the UDIA considers that the following are essential elements of a sustainable population policy:

1. Educating the population that a larger population is beneficial, and can be sustainable.

2. Identify, through an audit, the infrastructure required to service our current and future needs.
3. Identify the base level of service expected from key elements of liveability: affordability, congestion, environment, business investment, to accommodate a larger population.
4. Provision of critical infrastructure in advance of need (this, however, might fit our brief, re - placement of population/decentralisation).
5. Rezoning, approvals and development timeframes should be expedited.
6. Taxes should more rational and include a model of financing infrastructure that does not put the burden on new home buyers. Options are the removal of GST on new home construction; and a reduction of stamp duties on newly constructed dwellings.