The Australian Urban and Regional Development Review: What Can It Achieve?

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The Australian Urban and Regional Development Review:
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Peter Self

The Australian Urban and Regional Development Review (AURDR) is the climax of a series of Federal initiatives in urban affairs which started in 1991. These initiatives are sometimes likened to those of the Whitlam era, but their scope is different and much more limited as yet in terms of financial and political commitment. However the last few years have seen a multitude of Federal reports on urban issues from the (now) Department for Housing and Regional Development and from other Federal bodies such as the Industry Commission; and these have been backed up by experimental projects such as the Better Cities program and the issue of model guides for residential development (AMCORD and AMCORD Urban). The Federal interventions have also placed a strong emphasis upon close co-operation and 'partnership' with state and local governments.

To climax this process, the AURDR offers a three-year investigation of a variety of issues, including urban trends and prospects, land use and urban design, transport planning, environmental improvement, infrastructure provision and costs, regional planning and development, and local government finance (the review also incorporates a legislative requirement to review the working of the Federal financial assistance grant to local governments). The goals of the review incorporate the familiar three e's – efficiency, equity and environment. In practice the review is strongly driven by two considerations. One is the advancement of the Government's policy of micro-economic reform, which in this context means the simplification of planning and building codes and the provision and financing of infrastructure. The other consideration is the perception that there are serious deficits and inefficiencies in the structure, functioning and growth of Australian cities, and that a new look is needed at patterns of urban and regional development.

This paper will not offer a political forecast of the probable outcome of the AURDR which others may be better qualified to tackle. Instead it will offer a personal view of what the review might achieve if it is to provide a worthwhile basis for future urban and regional policies, and more specifically
for the role of the Federal government. It will not cover all aspects of the review but will concentrate on issues of urban structure and regional development. These issues are extremely important as well as (after a long interval) again become topical and controversial.

Insofar as the Federal government has already marked out a stance on urban issues, it is as advocate for 'urban consolidation' or the promotion of more compact cities which are claimed to be more economically efficient and environmentally sustainable (their relation to the equity goal is less clear). Prior to current Federal initiatives, State governments had already in the 1980s adopted the same goal in varying degrees through introducing high residential densities in both new and established urban areas. This policy was a feature of the state metropolitan strategies for Sydney, Melbourne, Adelaide and Perth which appeared in the late 1980s, all since revised, and of the more recent and less prescriptive SEQ (South East Queensland) 2001, produced by the Queensland Government in conjunction with local and other interests. The Federal Government has picked up this ball and kicked it with greater vigour. The consolidation goal has been strictly pushed in Government reports (though not by the Industry Commission) and endorsed in ministerial speeches, including ones by the Prime Minister, and has been advanced through demonstration projects, model residential codes and in other ways.

This early commitment of the Federal government to a particular viewpoint is unfortunate, since a more objective look at the evidence increasingly suggests the limitations of a consolidation policy, especially one viewed as the main prop or theme of a new urban policy. The state metropolitan strategies put equal stress upon a parallel policy of developing major secondary centres in the big cities, as a means of concentrating employment, improving access by public transport to jobs and social facilities and facilitating the development of medium density housing in convenient locations. In practice a 'consolidation' policy without a 'centres' policy proves to make little sense, yet the 'centres' policy – as will be demonstrated – is much the harder one for governments to realise under present conditions and has still to receive as much Federal support.

Because of its leading position in the current policy agenda, this paper will first review the limitations of urban consolidation policy. It will continue on a more positive note to discuss the advantages and possibilities of a 'centres' policy, linked with improved transport policy and some aspects of urban consolidation. It will then argue the importance of more positive and selective
Federal initiatives over regional development, before concluding with a review and check list of possible Federal measures.

The Urban Consolidation Issue

Urban consolidation has two aspects: increasing the volume and proportion of medium-density housing (such as town houses and three-storey walk-up apartments), and reducing the lot size of conventional detached houses. It also has two applications: 'infill' within established urban areas and higher densities on the urban fringe. Because cities can change only slowly, and because of other obstacles to extensive urban redevelopment, the main impact of the program will be felt on the urban fringe. The Perth Metroplan (1990) expects 80 per cent of new dwellings to be located on the urban fringe over the next thirty years. This admittedly is a high figure due to unsewered areas in existing suburbs. In Melbourne a likely figure is at least 70 per cent. The ACT plan (now subject to revision) hopes to achieve a 50-50 split between new and established areas, but it is very unlikely that this can be achieved. On the urban fringe some state governments are seeking to achieve 14 or 15 dwellings per hectare in place of the present 8 to 10, although Perth again sticks to an average of 9 per hectare.

Perhaps the limitations of urban consolidation in established areas are most clearly seen by considering the recent (1993) request by Victoria's Minister for Planning to local governments in Melbourne to set future population targets for their areas. These targets would require each area to restore its population to the highest level reached in or since 1971 (in nearly every case, except from still developing outer suburbs, 1971 is actually the relevant date). This heroic policy, if achieved, would increase the population of established areas by about 240,000 which would represent almost 50 per cent of new population growth over the next twenty years at the same growth rate as the last twenty.

The absurdity of the policy needs little demonstrating. The policy would require some of the older suburbs to increase their present populations by 40 or 50 per cent, at a time when household size is still falling — so that substantially more than that proportion of new dwellings would be needed. Moreover since 1971 much land has been lost to new highways, car parks and office developments which cannot be reclaimed (and, while some land can be
reclaimed, it would be necessary to stop more being lost for non-residential purposes). There is certainly scope for more medium-density housing in attractive middle suburbs, but it can only be afforded by the relatively affluent — who will also tend to be childless couples or older people who will not use the vacant school space. If even half this target is to be reached, it would be necessary to resort to subsidised town cramming on a massive scale for which the state government shows no wish at all to finance. The worry is that such consolidation as is achieved will add further to social polarisation, even though it may be a good choice for some people and make a modest contribution towards a more compact city. Nothing like the Minister's wish list is capable of implementation, and unless the population growth of Melbourne declines sharply the great bulk of new dwellings will continue to be built upon the urban fringe.

The Victorian Minister might have learned something from the experience of Sydney. There urban consolidation has been pushed vigorously over the last decade, as might be expected in the largest city with the toughest growth problems. Initially the Minister for Planning issued dwelling targets for each local government area, and when these proved ineffective and unpopular the Minister substituted general directives permitting dual occupancy, housing for the aged and integrated housing on small blocks down to 250 square metres in all areas. These policies again proved too unpopular and unselective for the widely differing circumstances of the older areas, and a policy of specific housing agreements between the state and individual local governments has now been substituted. Despite these setbacks, the proportion of multi-unit housing has increased over five years from 29 to 42 per cent, and the latest Sydney strategy aims to raise this proportion to as much as 65 per cent by 2001. Thus there is a splurge of medium-density housing, but it is mainly concentrated not in inner areas but on the urban fringe where densities have already been increased from an average 8 to 12 dwellings per hectare and are intended to rise further to 15 — thereby halving the 'quarter-acre plot' concept; while even if new consolidation targets are met in full, 65 per cent of new housing will still be occurring on the urban fringe.6

**Demand Factors.** The main demand factor justifying these changes is the fall in average household size. There are more one and two person households and fewer dwellings occupied by the conventional family of parents and children. It is often argued that small households need less space than they often now occupy, and in particular that many old or low-income people would
be happier living at higher densities in more accessible locations than in 'isolation' on the urban fringe.7

Evidence about housing preferences does not provide support for these contentions. A recent Adelaide survey concluded that housing preferences remain ‘fairly stable despite the demographic and social changes which have altered the nature and composition of the population’, with a majority still preferring ‘single-storey detached housing regardless of household type and age’. A fairly small minority prefer or expect to occupy other types of housing (the 'expect' suggests that they are not too keen on the idea). This study concludes that current assumptions that ‘people are forced to the fringe to achieve home ownership’ and ‘would prefer to live nearer in’ to the city centre are fallacious, anyhow for Adelaide.8

Other surveys, including parts of the National Housing Survey (NHS), suggest somewhat similar conclusions. Life on the urban fringe, despite its backlog of social amenities and poor public transport, is not so dismal a prospect for most people as the ‘urbanists’ had supposed. The idea of excessive journeys to work has also been much exaggerated. The NHS survey of Melbourne found that workers on the urban fringe had only slightly longer average journey times than those in inner suburbs. The explanation is of course that most fringe dwellers do not travel to the city centre but to dispersed locations by car; those nearer in have to cope with more congested car journeys or waiting times for public transport.9 The Industry Commission did not find the expected evidence about either demand for housing or the incidence of supply costs.

Is the problem here simply the lingering conservatism of popular tastes which will and should change with experience? Possibly so; there is some evidence that tastes are changing; but there are reasons for supposing that such changes will be slow and limited unless overruled by public fiat. The Industry Commission concluded that ‘many Australians like living space – not just in their houses but also around them’, that constrained choice ‘may have an adverse impact on community welfare’, and that ‘NIMBYISM’ is not just selfishness but ‘a more fundamental reflection of what the wider community values’.10

Nor are such preferences surprising or (as is sometimes claimed) the result of some peculiar Australian obsession with the quarter-acre block (In practice this block has already shrunk in most cities to a sixth or less of an
acre). International experience shows that the size of dwellings and plots increases with economic growth, although it also falls with the total population of cities.\textsuperscript{11} how these contrary trends work out is guesswork, but economic growth, if equitably shared, should produce improved, not deteriorating, housing conditions. Another factor here is the 'information revolution' and the likelihood of more home working. The amenities of the home, always an important resource for production, hobbies and study, will gain new salience if much paid work is also to be done there (and transportation problems would become correspondingly less important). In fact more home-room and privacy is one of the most productive (and least harmful in its side-effects) outcomes of economic growth.

More retired people may (as is now hypothesised) come to prefer living in medium-density housing than in the conventional house and garden which a majority still occupy; but the idea that a 'large house' (meaning one with three or more bedrooms) is likely to be surplus to their needs,\textsuperscript{12} is surely exaggerated. Given the value attached to visits from family and friends and the prospect of earlier retirement to practice interests and hobbies, three bedrooms hardly constitute excessive housing.

Supply Factors. Pressure for urban consolidation has been driven by problems of infrastructure funding. Since most infrastructure has up to now been publicly provided, the shortage of funds for this purpose under current economic and financial policies is a main reason for the perception of an urban crisis. The general issue of infrastructure funding will be returned to at the end of this paper. Here our concerns are twofold. What savings can urban consolidation achieve in infrastructure costs? And how equitable are the results likely to be?

No reliable answers are possible in the absence of enough objective information. The cost of servicing a new housing plot on fringe land has been estimated at an average of $50,800 for the principal cities and as high as $71,000 for Sydney, with 41 per cent of the cost being recovered in development charges and passed on to the house purchaser and the remainder falling on public funds.\textsuperscript{13} However these figures tell us nothing of possible savings from policies of higher densities on the fringe or urban infill. The cost-benefit studies that have been done were commissioned to support the case for consolidation. They have generally exaggerated the savings, overlooked some relevant costs and ignored the impact upon third parties.
The savings from reducing average size of dwelling plot do not seem very considerable. The savings in question relate to the costs of physical and hydraulic services (roads, pipes and drains), since the cost of social services (schools, health facilities, recreation, etc.) is population-determined and not directly affected. One study concluded that reducing a plot of 560 square metres (itself little more than an eighth of an acre) to 300-350 square metres would save $15,000 in New South Wales and only $6,000 in Victoria, but most of this saving represented lower land costs. This finding is a joker in the pack because, in the absence of strong public intervention in the land market, tighter controls on development inevitably put up the price of land, through conferring a higher monopoly value upon areas allocated for development. The extent to which land prices have been sharply inflated as a result of urban containment policies has been conclusively demonstrated in British studies.

So far as equity is concerned, the capital cost of new physical infrastructure on the urban fringe is already largely passed on to the house purchaser through development charges. There seems no reason in equity (or from the market approach to which this government is committed) as to why the home buyer should not have the type of dwelling preferred if willing to pay the relevant basic cost. However the provision of social infrastructure is another matter, since throughout the city this has always been financed out of general taxation and it would be inequitable (and also socially regressive) to depart from this principle in the case of new development. The Industry Commission found no evidence that fringe dwellers were being subsidised by the rest of the community. In some respect the opposite seems to be the case, since social services lag badly in new areas and public transport is either not provided or, in some cities such as Sydney, not subsidised (subsidies being confined to inner areas). However the Commission did find that, both on the fringe and in established areas, there were considerable variations in the degree to which hydraulic services were being under or over charged, under charging being the more usual situation.

In established areas there are localities with underutilised infrastructure, but the scope for utilising it without adverse indirect effects requires detailed investigation. Generally the scope for intensification is limited by two considerations besides the possibility (or probability) of community opposition. One such consideration is the impact of more traffic and air pollution upon residential amenities, in addition to the loss of privacy from denser development; the traffic problem is proving the main impediment to
new developments in inner areas such as Balmain. The second factor is that the water supply, sewerage and drainage systems of many inner areas require renewal or replacement. Large new investments for this purpose would facilitate urban renewal, but increasing loads will advance the date when such major investments can no longer be postponed.

It is argued that urban infill could enable poorer families to live closer to their work and social facilities. As already noted, 'closer to work' will often not apply because of the dispersal and scatter of employment (unless that is sharply reversed); but in any case housing prices in inner areas are beyond the reach of poorer households unless heavily subsidised. This is partly because, for equal sizes, medium-density housing is more expensive to construct than detached housing at the lower end of the market — although somewhat cheaper at the top end. A much bigger obstacle is higher land prices. The New South Wales Land Commission was free to apply profits from land development on the urban fringe to subsidising non-profit housing in inner areas. It did not do so, however, on the grounds that its primary duty was to keep down basic housing costs, which entailed locations on the fringe. Unless governments are prepared handsomely to subsidise inner locations, then there is little hope of a 'balanced' demand for infill development except to the extent that developers, in order to get planning permission, can be persuaded to include a quota of 'affordable' housing.

Doubtless the Federal government is right in believing that there is plenty of scope for efficiency gains, as well as design improvements, in the production of medium-density housing. Its view that planning and building regulations have been an excessive and unfair barrier to such housing is much more dubious. Even if local opposition is sometimes excessive, closer regulation of design and fuller consultation are fully justified for higher density housing, because of its sharper impact upon the privacy and amenities of both residents and neighbours. In this context the idea of a simplified code for all types of residential development is retrogressive.

Outcomes. Inevitably an urban consolidation policy will be slow and limited in its effects – slow because the dwelling stock changes by only 3 per cent a year and limited because residential areas comprise only about 30 per cent of the surface area of cities. Suppose, for example, average net residential density increased from 30 to 35 persons per hectare in a city of one million – a slow process – the city's radius would fall only from 14.6 to 14.1 kilometres measured in all directions. Of course road length could also be cut, but at the
cost of relatively more congestion. So could open space and recreation, but that would represent a sorry reduction in civic amenities.

The danger with urban consolidation, if pursued as a dominant goal, is that it will prove both inequitable and somewhat ineffective. Although the Australian ratio of owner-occupied housing has changed little and remains high, there is plenty of evidence that first-time buyers are experiencing increasing problems of 'affordability', due in part to greater economic inequality and unemployment and in part to the erratic movements of house prices and interest rates. This situation no doubt helps to make denser development on the fringe commercially acceptable or anyhow necessary for many new buyers who must stay strictly within a maximum mortgage liability.

However their consequent quality of life can be pretty miserable compared with that of their predecessors. Canberra has a fine tradition of residential development but a visit to Palmerston in the new town of Gunghalin reveals small, 'courtyard' dwellings with tiny backyards surrounded by high fences, no pavements and no nature strips, but plenty of cars. The whole effect is extremely ugly - much worse than Robin Boyd's description of the 'Australian ugliness' of suburbia. Higher densities achieved from town houses set in a good environment are better than cramming single detached dwellings with garages onto small plots. So sharp a deterioration of residential standards seems impossible to justify, especially as the savings in land costs are elusive and the purchaser will in the long run be charged almost as much for a smaller plot as a larger one.

Urban consolidation of this kind is also likely to stimulate the exodus of those who can afford it. In the ACT, this is likely to involve an increasing flow of the more affluent into more pliable local government areas in New South Wales. Already at a recent professional conference, Gunghalin was compared unfavourably with the new Jerrabombera estate in Queanbeyan. The movement to the 'rurban' fringe, despite some planning restraints, is going on sporadically around the capital cities. In South-East Queensland the vast areas of 'rural residential', covering an area as large as Brisbane itself, contrast ironically with efforts to raise densities for conventional fringe development.

The present growth of Australian cities is often described as 'sprawl', yet in fact growth on the urban fringe is now (for the most part) tightly planned, controlled and coordinated. Old-fashioned 'sprawl' is no longer permitted. Paradoxically an excessive stress upon 'consolidation' - especially and
primarily upon the fringe — could produce real sprawl and 'scatteration'. Any case for controlling the size of housing blocks must apply in the first place to the very large blocks which are genuinely wasteful of resources. The consolidation policy (as it now stands) is in danger of intensifying the social polarisation of Australian cities already occurring as a product of changing economic conditions. That would be the opposite of the 'equity' criterion for urban policy, the aim of which must presumably be to modify and balance those trends.

Transportation Policy

Transportation policy can be viewed either in general economic and social terms or from the viewpoint of its specific impact upon urban structure. The Industry Commission, while modifying its final report in response to criticism, took primarily an economic rationalist view of the subject. It argued that each mode of transport (public or private) should bear its full costs. In the case of public transport this meant eliminating the currently large financial deficits and opening the system up to competition as a means of improving service. In the case of road traffic, it meant charging users the full costs of their activities, including the adverse 'externalities' of accidents, noise, air pollution, etc.22

At first blush this proposal seems not unreasonable. There is no obvious reason why governments should subsidise all forms of transportation. The effects can only be to encourage urban spread and longer journeys for work or pleasure. Unfortunately there are two reasons why the Commission's proposals would work out badly in practice.

The first reason is primarily political. Public transport subsidies run contrary to a fashionable commercial criteria and are an obvious target for cash-strapped state treasuries. While complete elimination of subsidies would (and does) encounter hot political opposition, some state governments are already cutting public transport subsidies. By contrast, bringing home to road users the full costs of their activities is a tricky proposition. For one thing there is no genuinely objective way of measuring the indirect costs of road traffic. While a variety of estimates can be (and have been) suggested, none is fully satisfactory. This fact need not prevent intelligent judgements being made about what charges to impose, but it does add to the anyhow formidable political difficulties of imposing 'full costs' upon road users. The eventual goal
is usually seen as some form of electronic 'congestion charge' for the use of road space within defined urban zones (and varying between zones). This is now technically feasible, but recognising the political and valuational problems, the Commission suggests that a start should be made with the levying of tolls upon the use of major roads. A start has already been made with road charges as a means of financing new construction. However this policy – while suitable for some major projects such as expensive tunnels – would have the drawback of diverting traffic on to secondary routes or into residential areas, while its equity effects would be erratic.

Thus a 'full cost' approach, while reducing subsidisation all round (which in itself may be desirable), would in practice have the perverse effect of further favouring motor traffic over public transport. In environmental and equity terms, this seems the reverse of what is needed.

The second drawback of the Commission's approach is that it largely ignores the relations between transportation policy and urban structure. It does indeed (under criticism of its provisional report) concede some role to land use – transportation planning, but it is agnostic between different forms of urban structure (The theory is that, if costs are correctly apportioned and a level playing field prevails, the laws of supply and demand will produce the optimum result – whatever that may be). This approach overlooks some important issues about the functioning of cities.

At present public transport accounts for a very low proportion of all trips within Australian cities, and for some time the trend has been downward.

This situation can be criticised (as already noted) on both environmental and equity grounds. Motor cars (and still more lorries) are principal causes of air pollution and contribute appreciably to the 'greenhouse effect' through carbon dioxide emissions. They cause numerous accidents, imperil the safety of pedestrians, produce unpleasant noise effects and visual ugliness and pollute or undermine the fabric of adjacent buildings. Some forms of public transport share these defects, but to a lesser extent. In equity terms there is a substantial proportion of individuals, drawn mainly from the old, the young and the poor, without regular or easy access to the use of a car. The rundown of public transport has left many people in a situation of less mobility than in earlier times. Thus an appreciable switch of journeys (and opportunities) from private to public transport would make very good sense in environmental and equity
terms, and in efficiency terms too, if this is interpreted in terms of the energy costs of moving people.

However, as Brian Howe has said, transportation should be seen as the servant not the master of the community. It does not make sense (nor is it realistic) to redesign cities simply or primarily so as to promote public transport. The relative advantages of public transport should be one significant element in new urban policies, but not to the exclusion of housing preferences and other factors; and the 'public transport card' has to be played realistically.

There is no doubt that public transport use tends to increase with urban density. This relationship is used as a main argument for urban consolidation, but in itself the relationship is a fairly limited one. Given the convenience and flexibility of car use, and the widespread dispersal of workplaces and social facilities, a moderate increase in overall densities would have in itself rather little impact upon car use. It would somewhat shorten journeys, but produce (on current technology) rather more concentration of traffic congestion and air pollution. In particular freight traffic (the worst source of pollution) would continue to require access to central business districts, ports and terminals. The price of petrol very likely has more impact upon the volume of car traffic than would any realistic expectations about urban consolidation.25

It seems probably that the car is here to stay, but motor traffic should be subject to congestion charges in urban areas and be banned altogether (as happens in some European countries) from some parts of the central area and historic precincts. The chief hope for reducing pollution and other adverse effects would seem to lie in improved vehicle technology and design. Quite independently of urban consolidation, such policies could transfer a modest volume of traffic from private vehicles to public transport; and conversely public transport warrants some degree of public subsidy on grounds already specified – whether the subsidy is targeted on those in need or is applied generally. The latter approach, while less equitable in principle, has the advantage of attracting some passengers who would otherwise use a car.

Centres Policy

As the share of employment in the CBD's of Australian cities has declined, a perception has grown that the cities are becoming polycentric or multi-centriced. This perception in its literal sense is mistaken. Industry, commerce
and retailing have been spread widely throughout the cities, but only a small proportion of economic activity has relocated in secondary or regional centres.

However the advantages of developing larger and more attractive secondary centres within cities are considerable and would also advance, in a more fruitful and equitable way than other current nostrums, the concept of more compact cities.

i Such centres would concentrate a variety of facilities, public as well as private, in one place instead of being scattered.

ii This arrangement would strengthen the role of public transport, especially as most of the centres would be located on radial routes to the city centre.

iii It would promote equity through improving access to facilities for those without access to a car.

iv It would be environmentally helpful, through reducing car use and the total volume of journeys.

v It would facilitate the development of medium-density housing in areas close to the new centres.

As already noted, all state metropolitan strategies favour a strong 'centres' policy. This includes efforts to maintain the 'vitality' of the CBD, while recognising that the CBD of the future will continue to decline as a proportion of total employment and economic activity. The answer sought in all cases (but with varying optimism) is to build up selected secondary centres on a fairly massive scale.

The state metropolitan strategies aim at very large increases indeed in the share of employment going into secondary centres. The 1988 Sydney strategy foresaw by 2011 a decline in employment in the CBD from 14.1 to a mere 11.6 per cent of the city's total, but an increase in secondary centres' share from 12.9 to 18.4 per cent. Perth's plans have been more ambitious. The State Planning Commission review group's report (1987) foresaw the CBD declining by 2021 from 19.2 to 12.9 per cent, but five major sub-centres would grow from only 4.4 per cent to 15.5 per cent (in seven not five such centres), with minor centres adding a further 14.4 per cent. Adelaide, Melbourne and Brisbane all have similar policies.
What should a strong secondary centre look like? Some enthusiasts see it as a replica of the activities and attractions of the CBD, excluding these special to tourists and visitors. Such a centre (if it could be produced) would give real meaning to the idea of the polycentric city and would reproduce in a more rational way the concept of the compact, integrated city which is fast disappearing under the relative decline of the CBD (In Melbourne, for example, the share of employment in the CBD declined from 55 per cent in 1961 to 30 per cent in 1986). This vision could be desirable, but it is light years away from the present situation where many secondary centres are little more than congested shopping streets.

However a worthwhile centre should at least have not only a sizeable concentration of shops and offices, but also a variety of recreational, educational and community activities. It should be attractively laid out with careful traffic control and parking, pedestrianised areas and small parks. Some attempts are currently being made to realise this concept. Parramatta is being developed as a second centre for Sydney. A substantial new centre is being planned at Joondalup in the northern suburbs of Perth. This centre has the double advantage of location on the new north-western corridor railway and of utilising publicly owned land, thereby being well placed to demonstrate the advantages of a more integrated urban structure (although the innovative aspects of the centre's design seem to have been toned down).27

The problem is of course that a worthwhile secondary centre as a rule requires substantial public land acquisition, an imaginative plan and coordinated public and private investment. The initial public investment should pay for itself eventually, but has to be up front if the planning and design are to be on an adequate scale. These financial requirements perhaps explain why 'urban consolidation' has been argued at the Federal level mainly in terms of higher residential densities. Such densities can be imposed through planning rules and involve no public cost. However the city thereby produced will continue to fragment in its functioning as the CBD continues to decline and no strong alternative centres get created. Such a city, while diminishing residential amenities, will not be hospitable to public transport and will not create the stronger urban atmosphere and civic spirit which the advocates of consolidation desire. That outcome could be another outcome of good secondary centres which serve as civic centres and meeting places.

A further problem of Australian cities, as they are now developing, is increasing polarisation between rich and poor areas. If efficiency is identified
with the locational preferences of the market, it comes into clear conflict with equity. The AURDR cannot itself remove the economic courses of these inequalities, but it can at least modify them through proposing a greater priority of public initiatives and funding (including the development of secondary centres) in disadvantaged areas. The 1992 Adelaide metropolitan strategy, for example, gives priority to the five most disadvantaged areas for the redevelopment of housing and improvements in the provision of services and open space.28

Regional Development Policy

Hopefully the AURDR will provide some positive guidance for regional development. To date the review’s main contribution has been to back a program of limited financial aid for economic development in any or all of Australia’s numerous, widely dispersed regions. This may be a useful (and politically grounded) initiative, but it will not achieve the real opportunities for regional development which are necessarily much more selective than some blanket form of minor assistance. The Kelty Report29 has produced a long list of desirable infrastructure improvement throughout Australia; but once again this list is much too scattered and unselective to seize the real opportunities.

The idea is still around that the Whitlam Government tried and failed to launch a successful policy of regional development. In fact its initiatives never had time to prove their value because of their rapid political reversal. It is true that under current federal economic policies, and the doctrine of close partnership with the states, there is little prospect of another program of Federal – initiated growth centres; but there are other ways in which the Federal government could promote desirable regional goals. Moreover it has strong reasons to do so in terms of its concerns with both the future of the big cities and the development of the nation in ways that are efficient, equitable and environmentally sensitive.

It should surely be obvious that the problems of the big cities are not simply structural, but derive in large measure from the effects of population growth and the inevitability of continued outward expansion. A larger population puts more pressure upon environmental resources, produces more waste products and adds to the complexities of urban management and policing. It brings increased problems of traffic congestion, pollution of watercourses
and beaches, smog, noise hazards and sewage and waste disposal. These outcomes occur whether or not the city's structure becomes somewhat more concentrated – which might somewhat alleviate some of these problems but intensify others. In physical terms the cities are already very large; it is about 100 kilometres across Melbourne and about 80 from the top to the bottom of Adelaide. Some cities are running out of suitable land for development save at very great distances and the 1988 Sydney strategy pointed out that even a successful consolidation strategy over a 20-year period would only postpone by three years the need for a further large release area.

Admittedly these outward growth pressures have been modified in Sydney and Melbourne by lower immigration and tougher consolidation policies, although conversely growth pressures are increasing in Brisbane and Perth. In any event it is surely the function of the AURDR to take a longer term view of Australia's settlement patterns and communications.

In this context it is surely to be expected that the exceptional concentration of Australia's population in five big cities will be gradually modified and reversed over the next twenty years, the pace of change depending upon the rates of economic growth and immigration and whether public policy is forward-looking or neglectful. This exceptional concentration developed between 1921 and 1976, when Sydney increased its share of state population from 42.8 to 63.4 per cent, Melbourne from 50.1 to 71.5, Brisbane from 27.8 to 47.8, Adelaide from 51.6 to 72.5, Perth from 46.6 to 70.7. Since 1976 the overall degree of urbanisation has remained fairly static with changes in the percentages of individual cities.30

This exceptional degree of urbanisation was the product of special circumstances: the concentration of immigrants in the big cities, the growth of industries behind tariff barriers, the pull of the state capitals and the existence of a small population in a big continent with poor communications. These special conditions are now changing with growth of total population, the removal of tariffs, changes in industrial structure, more forms of 'footloose' economic activity, and popular preferences over housing and quality of life which can no longer always be adequately met in much enlarged cities. It seems likely that the settlement profile of Australia will gradually move towards that of other 'developed' countries, in particular through the growth of a much larger number of medium-sized towns (At present Australia has only eight towns, including Canberra, between 100,000 and 500,000 population, and only fifteen between 50,000 and 100,000).
At present regional development is held back by unemployment in the big cities, a rather low rate of economic growth and lack of basic infrastructure. Even so the possibilities of regional development can be clearly seen. A number of well-placed medium sized towns are growing and attracting new sources of employment under their own steam. The possibilities of development are especially marked along the main transportation corridors between the big cities – especially the inland route between Melbourne and Sydney and the coastal route between Sydney and Brisbane and northward through Queensland (A mini-corridor is also starting to emerge south of Perth). Overseas experience also shows the appeal of towns within easy reach of a big city but offering a good environment and facilities. Australian examples would include cities such as Ballarat and Bendigo in Victoria, with a distinctive life of their own but only about 130 kilometres from the centre of Melbourne.31

Overseas studies suggest that many big city dwellers would like to move to a small place which retains reasonably good access to a major centre.32 This preference can already be observed in Australia despite job and transport difficulties. This trend will also be strengthened by the application of 'user pay' principles to urban services which governments wish to promote. The costs of public services are markedly lower in medium-sized towns than in big cities, but this fact is disguised to some extent by general public subsidies and by the extra allowances for 'congestion costs' which figure in the Commonwealth Grants Commission's allocations. Even a modest application of 'user pays' will find big city dwellers paying more for car travel on congested urban roads and public transport; for their higher costs of sewerage, drainage and garbage disposal; and for the extra costs due to high land prices. It seems that, while costs will rise, big city dwellers no longer have the higher average incomes attributable to economies of scale and concentration.33 These developments – and perhaps too the restrictions of urban consolidation – will stimulate outward movement.

In the absence of effective regional planning, movements out of the cities will produce some very adverse effects.

There will be a lot of scattered developments, especially in the cities' immediate hinterlands and along the coast. This will defeat the concept of 'compact development' and produce real sprawl.
There will be an adverse effect upon equity. Market-led growth for the more affluent will go ahead, but it will be divorced from any effective provision for poorer groups.

The costs of public services will be unnecessarily increased. (Well planned urban developments can substantially reduce infrastructure and public service costs).

The environmental effects will be bad, due to scattered developments and excessive pressure upon environmental resources, especially the beautiful but threatened Australian coastline.

Effective regional planning is badly needed and it will have to be selective, concentrating upon areas of potential growth and not being diffused all over the place. It is the unselective nature of previous regional policies (especially by state governments) which defeated their best intentions. The AURDR should resist the political temptation to be all things to all people and concentrate upon essentials.

What could the Federal government do to assist this process?

i It could encourage the states to prepare realistic development strategies.

ii It could concentrate its own transportation investments (road and rail) along the potential corridors of growth and suitable links to major cities, not go in for premature or remote projects (such as a Darwin-Alice Springs railway).

iii In conjunction with the states it could encourage well-placed local governments to plan and undertake their own expansion. Many suitable smaller towns are keen to do just that and could make a real contribution. Sometimes this process could be helped by encouraging the formation of a regional council of government.

iv Once again, however, these expansion schemes have to be kept selective and local governments are generally not equal to managing and financing a substantial expansion on their own. The most suitable instrument here would probably be some form of regional development corporation, with flexible powers to give financial and technical assistance for selected schemes of town expansion. Necessarily such a corporation would need to be primarily a state instrument, but it could be helped by financial support
from Federal government to any participating state, backed by cooperation over the initial regional planning. There would also need to be close cooperation with participating local governments, who might be represented on the development corporation or through a number of joint task forces (possibly including Federal representatives as well).

v A further obvious point is that state governments, and Federal government also, should locate some of their offices in suitable expanding towns.

Taken together these actions could have a modest impact upon stimulating regional planning and development in the right places; but they need also to be related to wider considerations of public policy.

The Infrastructure Problem

Effective policies for urban and regional development are currently being stymied and negated by the lack of funds for investment in infrastructure. A great deal has been written about infrastructure problems and the subject will only be treated briefly here. However it is an undeniable fact that investment in infrastructure has been declining and is at an historically low level. Conversely it is clear that substantial investment is needed to replace outworn water, drainage and sewerage systems in the cities, to cope with new urban growth, to improve public transport and communication between cities and to ports, and to promote regional development. There is also plenty of evidence that wise infrastructure investment is essential for economic growth and is a major stimulus to private investment, as well as being important for quality of life and environmental improvement.35

Because of restrictions upon public expenditure there are currently attempts to enlist private investment in infrastructure; but as a general solution to infrastructure problems this policy has many limitations and drawbacks:

i Many projects have a long life and private investors are unwilling to take long-term risks.

ii Private investors must borrow at higher interest rates than government and also expect or require the possibility of substantial profits to compensate for the risks involved.
The sharing of risks in recent highway projects does not seem to have worked well. For example, the developers of the Sydney Harbour tunnel have made $4 billion surplus profit according to the NSW Auditor General (Also toll roads are usually an inferior way of charging for roads compared with a more comprehensive method of road pricing).

It has been suggested that developers might be required to take the full risks of new investments in water, sewerage, etc.; but a likely result (as proponents admit) is that they must be given more say as to where new developments are located. This arrangement will further undermine planning and bring the urban sprawl which governments want to prevent.

To hand over infrastructure to private investors is to compromise equity objectives which can then be less effectively or comprehensively pursued.

These problems aside, it is difficult to understand the objections to governments playing the leading role in the provision of infrastructure as has always been true in the past. Governments can and should take a longer-term view of urban and national requirements than can private investors. They can assume longer-term risks. They can save resources and economise in public services through forward planning. They can borrow money more cheaply. Public investment adds no more to the total burden of debt than private investment and entails less recourse to foreign borrowing. On all reasonable grounds the public performance is generally superior.

The basic obstacle is of course the Federal government's dedication to reducing the overall budgetary deficit. The consequences of this simple-minded policy have been serious. It has meant that new capital expenditure has been squeezed out by the pressures of current public consumption which is politically more salient. It has also meant that capital investment in infrastructure by the states has been severely squeezed by cuts in Federal grants and allocations.

The consequent shortage of capital funds is a main reason for the overuse of urban consolidation as an intended device for cutting infrastructure costs. However the same consideration prevents consolidation from being effectively and equitably applied, since funds are not available either to upgrade or renew existing infrastructure to meet the requirements of higher densities, or to enable lower-income groups to live in inner areas. So far as urban policy is
concerned, the simple-minded treatment of budgetary deficits has produced a trail of disasters.

However this simple-minded treatment of the budgetary deficit makes economic as well as social nonsense. A sensible government, just like any business, will separate its capital from its current budget. While current consumption should (other things being equal) not exceed current revenue, it is reasonable for public capital expenditure (or a large part of it) to be financed from borrowing, just as a firm would do. After all to invest in the basic infrastructure of the nation is surely as 'productive' an activity as many private investments. Equally any privatisation receipts should be paid into the government's capital account and be available for reinvestment – an arrangement which would also prevent the political trick of opting for privatisation in order to meet consumption bills.\textsuperscript{37}

Admittedly public investments need to be carefully evaluated because they often do not or should not yield a commercial return, and because their justification may lie partly in their long-run contribution to national development or environmental improvement; but once again these are factors which only governments can take into account. They make it sillier than ever to throw such long-term considerations into the same financial basket as immediate consumption. Once there was a thriving literature on the criteria for public investment. Today there seems to be little attention to the subject, to the shame of Treasury and Finance. Indeed it is disgraceful that a government which gives complete priority to economic efficiency should be so deficient in the treatment and presentation of its own accounts.

These budgetary improvements would not of themselves solve the shortage of infrastructure funds – there will doubtless always be a shortage in terms of desirable projects. However they would remove the prejudice against public borrowing for infrastructure requirements and open the way for a larger and better evaluated public investment program. They could be combined with a more balanced and equity-minded treatment of the 'user pay' principle. For example, it may be reasonable that (where practicable) consumers should pay the true relevant costs of hydraulic and physical services, through up-front development charges and via current charges based where practicable upon actual consumption (or some mix of the two arrangements); but on equity grounds social infrastructure should continue to be funded through general taxation.
Conclusions

There need to be more sophisticated policies, including policies that encourage growth outside of existing metropolitan centres, but that in turn depends on regional strategies that are often not in place because there is no institutional framework to develop those strategies.

To have not thought that location is an important issue for such a long time is not a very good reflection on public policy in this country, particularly at Commonwealth level...The Urban and Regional Development Review is there to open up these issues; it is not to cover over or to provide a rationale for what has already been decided.

(Brian Howe, Metropolitan Planning in Australia, p.48.)

Some conclusions from this paper about urban and regional development strategies can now be summarised.

i Urban consolidation can enable more upper and middle income households to live in established urban areas. It will not enable lower income households to do so unless substantially subsidised (especially in inner areas). Given wide variations in the capacities of local areas to accept more housing, blanket state policies for this purpose are not desirable.

ii Consolidation policies will have much their largest impact upon the urban fringe. While there is scope for a greater variety of forms of housing in new developments, there is a real danger that traditional single-story housing (which remains the dominant demand) will be unduly compressed and the quality of new residential areas will sharply decline. Such a policy will make little difference to housing affordability (especially given the likely escalation of land values) and will be inequitable in comparison with the much wider housing choices available to the affluent.

iii Old-fashioned urban 'sprawl' has been checked by tight controls over land releases for new developments. However too strong a dose of containment policies could produce a backlash of more distant 'sprawl' around and beyond cities, a tendency which would be increased if developers were asked to assume the risks of infra-structure investments.
iv The most fruitful approach to the restructuring of cities would be the creation of substantial and attractive secondary centres, backed by public transport improvements. Such a policy is desirable alike on efficiency, environmental and equity grounds. The mono-centred city is a thing of the past but a desirable alternative structure has still to be created.

v The Federal government could help this process through support for existing state strategies and through financial contributions to complementary public transport improvements.

vi The environmental problems of cities are related much more closely to total population size than to urban structure even though structure can be improved.

vii The special circumstances which produced a unique degree of population concentration in the five largest Australian cities are gradually changing, even though much further growth will occur (especially in the Brisbane region). A growing proportion of further population growth will be absorbed in regional developments outside the cities. This process is a desirable one, both for the cities and the nation, and should be actively encouraged.

viii Many 'regional cities', now relatively small, located along potential 'growth corridors' between and around the major cities, have good development prospects. Their attractions will be further enhanced by any application of 'user pay' principles to transportation and public services in the big cities.

ix In the absence of effective regional strategies, new growth will be scattered and sporadic, producing high service costs, social polarisation and much environmental damage.

x States should be encouraged to produce effective regional development strategies. These should be selective, concentrating development in suitable places and not broadcast widely.

xi Regional development should make full use of local government. Many local governments are willing and able to undertake such developments themselves, although they may need financial and technical assistance in respect of major schemes.
The Federal government can assist regional strategies through participation in planning and possible financial contributions. In particular it should support investment in improved road and rail links along growth corridors between major cities.

More attention should be paid to locational disadvantage. State strategies which concentrate resources for housing and service improvements upon the most disadvantaged areas (such as the Adelaide strategy) should be encouraged and Federal government should concentrate more of its selective financial assistance upon such areas – including the development of secondary centres.

Housing affordability is a growing problem which lies largely outside this paper. However the two most urgent needs appear to be 1), an increased program of public or co-operative housing for rent and 2), taxation of capital gains from house ownership above a certain financial limit, especially since urban consolidation will tend to increase such gains.

Consolidation also strengthens the case for imposing a betterment tax upon profits from land sales (and using the proceeds for affordable housing) or else for public intervention in the raw land market.

Federal and state governments should establish separate capital budgets from their current accounts and be prepared to borrow for productive capital investments. A public infrastructure budget should be prepared and properly evaluated.

Additional to these policy proposals are issues of inter-governmental co-operation. Federal government has declared its firm intention of working in close partnership with state and local governments. However it does not seem as yet to have fully absorbed or sought to influence state metropolitan strategies and related policies. Some states have policies which warrant Federal support on equity grounds while others are pursuing highly reactionary policies, for example over housing.

The Federal government has sought for some time to give special support and encouragement to local government. The review of the Federal assistance grant to local government has established that on the whole it is being equitably allocated according to Federal equalisation guidelines, but its principal beneficiaries are (quite logically) rural areas. More consideration needs to be given to assisting from this source the more disadvantaged urban areas.
In other respects the Federal attitude to local government is somewhat ambivalent. One purpose of its financial grant is to support local democracy. It intervened in Queensland at one point to ensure that aboriginal communities get a fair share of the grant. It ought now to insist that states which abolish or unduly restrict locally elected bodies, as has happened recently in Victoria, should not be eligible for financial grant in respect of such areas. It should also consider whether it is not being somewhat ham-fisted over supporting strong measures of urban consolidation which overrule the clear wishes of local communities.

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4) Dept of Planning and Urban Development, Western Australia, Metroplan (a planning strategy for the Perth metropolitan region), 1990.


9) National Housing Strategy, 'The findings of housing choice and location survey', Background Paper 11, 1992. As Alexander says (op.cit p. 13), the NHS bias to urban consolidation seems to have been pre-determined not based on the evidence it assembled. This evidence did not reveal any great locational disadvantage for dwellers on the fringe, except for access to some specialised services in the city centre.


12) *New Homes for Old*, op.cit.


15) Peter Hall et al., *The Containment of Urban England* (2 Vols), London 1973, gave the first systematic account of the inflation of land values through urban containment policies. Since then this process has accelerated in England.


17) Woodhead, op.cit.


21) In South-East Queensland on current trends rural residential zones at very low densities but serving a mere 8 per cent of the population would cover almost half the urban growth area required for the other 90 per cent. (Yearbury, *Metropolitan Planning in Australia*, p. 78). In addition rural residential development is located close to the new Brisbane-Gold Coast railway.


23) Ibid, p. 13. The Commission also argues here that road charging would be politically easier if the total revenue derived from motorists was not increased but collected in different ways! This argument would seem to negative its argument both for charging in full all the 'externalities' of road vehicles, and also for establishing a 'level playing field' of competition with public transport which would lose its present subsidies.

24) In the large Australian cities public transport covers only an average 13 per cent for journeys to work and 9 per cent for all trips, while cars account in both cases for almost 70 per cent; (balance consists of walking and cycling) (Ibid, pp. 59-62). Public transport patronage has been moving slowly but steadily downward, although new rail systems (as in Perth) may change this picture – if they can be afforded. The figures indicate what a long way there is to go to strengthen appreciably the role of public transport.


26) Peter Self, 'The resurgence of metropolitan planning in Australia', op.cit. See also later metropolitan strategies for Perth (*Metroplan*, pp. 42-61) and Sydney (*Sydney's Future, 1993*), and recent strategies for Adelaide and Brisbane.


31) For a fuller account of the scope for regional development, see Peter Self 'Alternative urban policies: case for regional development' in Patrick Troy (ed.), Australian Cities (forthcoming, 1995).


35) 'There is compelling evidence from the USA and from European and cross-national studies that government expenditure can and does increase the productivity of the private sector if it is directed into investment in the core infrastructure of water services, transport and communications', Steve Dowrick, 'Assessing the economic value of infrastructure investment' in Infrastructure Financing (Australian Urban and Regional Development Review, 1994). See also other papers in this collection. Public sector investment has fallen from over 8 per cent of GDP in the 1960's to under 7 per cent in the early 1980's and around 5 per cent in the early 1990's (including social as well as physical infrastructure).

36) See the views of Alan Hunt, former Victorian Minister for Planning, in 'Providing and financing urban infrastructure', op.cit.

37) See the strong recommendations of the House of Representatives Standing Committee on Transport, Communications and Infrastructure: Construction and Restructuring of Australia's Public Infrastructure, 1987. Unfortunately to date little notice seems to have been taken of the Committee's conclusions.


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