

# Executive summary

*State of Australian Cities 2012* is the third in a series of annual Australian Government publications bringing together current data to show how our major cities are evolving and to strengthen the knowledge base on which urban policy can be developed. The purpose of *State of Australian Cities 2012* is to inform policy and investment decisions that affect our major cities, to explore trends and to educate the wider community about the factors that are shaping our cities and the lives of those living in them.

This year's report draws on data from the Australian Bureau of Statistics (ABS) 2011 *Census of Population and Housing*. For the 2011 Census, ABS developed new geographical categories, changing the basis for data collection from *collection districts* to *mesh blocks*, which are areas containing between 30 and 60 dwellings. The Statistical Divisions used for capital cities in earlier *State of Australian Cities* reports have been replaced by a new measure: the 'Greater Capital City Statistical Area'. The boundary differences between the old and new geographies are shown in a series of maps in Appendix 1 of this report.

Where possible, *State of Australian Cities 2012* uses long-term time series to contextualise current data, showing how our cities are shaped over time. This year's report also contains more feature articles in order to better illustrate particular policy issues. The report concludes with a discussion of governance in Australia's major cities. For the first time it includes an evaluation of progress in implementing the National Urban Policy.

## Key findings Chapter 2: Population and Settlement

- By 2025, it is expected that 750 cities of over half a million people and 360 cities over one million in size will exist in the greater Asian region.
- Melbourne and Sydney between them have absorbed nearly 40 per cent of the Australian population growth since 2001.
- The proportion of the population living in the capital cities of most states and territories between has increased steadily over the last 40 years.
- The population of major cities continues to age, with declines across the board in the proportion of the population under 25. There has been a small increase in the working age population and a large increase in those 65 and over.
- The gap between population increase and housing supply is now the largest and most sustained in a century.
- In response, housing occupancy rates which had been falling steadily for nearly a century, began to plateau in the mid-2000s and have begun to rise slightly in recent years. Most of the increase has occurred in households consisting of families with children.

- Since 1996, house prices in Australia have increased faster and for the longest period since at least 1880.
- In 1996, 60 per cent of house owners owned their house outright compared to 46 per cent in 2011.
- A decline in the number of housing lots produced per capita is occurring across the capitals but is particularly severe in Sydney. Block size has fallen and the price per square metre has risen sharply.
- New houses in Australia are possibly the largest in the world, eclipsing the United States. However, there has been little or no growth for a decade and unit sizes have fallen.
- Relative housing construction costs have risen slowly for 40 years.
- Since 1986, there has been a rise in the premium for living near the CBD of cities. In Sydney and Melbourne, a dwelling 50 kilometres from the city centre has doubled in value in real terms since then, while one close to the CBD has increased more than five-fold.
- While there has been a net growth in government-provided dwelling stock since 2006, it has fallen as a proportion of total stock across all major cities, apart from Cairns and Toowoomba.
- Real rental income per dwelling has increased virtually without interruption since rental controls were lifted in 1949.
- Rental vacancy rates remain very low across all capitals but are particularly severe in Perth, Darwin and Canberra.

## Key findings Chapter 3: Productivity

- Australian national productivity growth levels continue to be lower than previous years.
- Most of the industry sectors that are experiencing rapid growth as a proportion of the economy are located in city centres and rely on increasing job densities to drive their productivity.
- This suggests that, measured in terms of the value of economic activity, cities may be beginning to shrink in on themselves, reversing the dispersing forces that have been dominant since the end of World War II.
- After reaching a peak in 2005, per capita urban passenger transport (the number of kilometres travelled per person) has declined more steeply and for a longer period than since the Great Depression.
- The decline has been led by a reduction in car travel offset by some increase in heavy rail.
- In contrast, the per capita freight task is increasing substantially and is likely to become the major driver of the urban transport systems.
- Morning travel peak has increased and sharpened in the last 30 years, greatly increasing the pressure on transport networks. This appears to be driven in part by an increase in discretionary travel in the morning peak period.
- Fare recovery in Australian urban mass transit systems is already well below international best practice and continues to decline. This raises questions about the sustainability of their current financial structures and the scope for further investment in mass transport infrastructure and services.

- The sea ports of coastal major cities, particularly Sydney and Melbourne, are experiencing a significant increase in container volumes. More than 80 per cent of containers will be discharged and loaded within the urban boundary.
- There are significant differences in labour force participation between major cities. In Canberra 72 per cent of the working age population is in the workforce while in Wollongong 57 per cent is in the workforce.
- Female participation in the paid workforce has increased by nearly 10 per cent since 1988. The increase is across the age cohorts.
- Female human capital is increasing at a faster rate than that of males, indicating that not only are there more women in the workforce but their potential individual productivity is increasing.
- Australia is following the trends of other advanced economies in that a growing proportion of older people are working past the traditional retirement age.

## Key findings Chapter 4: Sustainability

- Australia's major cities since 1952 have experienced increases in average maximum temperatures of up to 2°C.
- Most Australian cities, except for those located in the far north, have experienced declines in annual rainfall over the last 60 years.
- The management of sea level rise impacts in our coastal major cities at state/territory and local government levels is progressing to varying extents.
- Increasing prevalence and severity of natural perils have natural regional differences, giving rise to varying costs and losses – for example, Sydney has a historically very high prevalence of hailstorm damage.
- The number of very high and extreme fire weather days is estimated to increase by between 15 and 60 per cent by 2020 and double to quadruple by 2050.
- 65 per cent of Australian superannuation investment fund managers have not recognised the impacts climate change will have on investment portfolios. Similarly, 83 per cent of superfunds replied in a key survey, 'no' to the question 'do you believe that systemic risks like climate change are currently being priced into asset valuations properly'.
- It is estimated that about 490,000 or six per cent of addresses in capital cities are within 100 metres of substantial bushland. Over 750,000 are within 200 metres, posing substantial risks of property loss from bushfire.
- The fresh food production on the fringes of our cities plays a key role in providing staple perishable vegetables. These areas are under threat from the outward expansion and economic pressures of our cities.
- Our cities continue to place high biodiversity pressures on urban waterways and estuarine environments, many of which contain sites of international heritage significance.
- Proper management of natural systems and 'green infrastructure' can make major contributions to the sustainability and liveability of our cities.
- Total open space in and around our cities can amount to 60 per cent of the urban area.

- Local, state and territory governments are moving to better manage natural and urban systems and are addressing challenges such as urban heat islands, cleaning waterways and more sustainable buildings.

## Key findings Chapter 5: Liveability

- Australia ranks in the top five countries across almost all of the dimensions of the OECD Better Life Index except for work–life balance, because 14 per cent of employees work very long hours, much higher than the OECD average of nine per cent. When all topics are weighted equally, Australia ranks as one of the top three countries in the world for overall quality of life.
- Australia is ranked ninth on the United Nations World Happiness Index.
- Melbourne has been ranked first on the 2012 EIU Global Cities Liveability Index for the second year in a row. Sydney was ranked sixth, Perth eighth and Adelaide ninth.
- The 2011 Mercer Quality of Living Index shows a slight but continued decline in ranking for Sydney and Brisbane since 2009, from 10th to 11th for Sydney and from 34th to 37th for Brisbane. Meanwhile Melbourne, Perth and Adelaide maintained their relative positions of 18th, 21st and 30th respectively. For the first time Canberra has been included in the Mercer Quality of Living survey and was ranked above Adelaide and Brisbane, at 26th position in 2011.
- A greater proportion of residents in Australian cities ranked their city as highly liveable in 2011 in the My City Survey than was the case in 2010. Adelaide has retained its place as the most highly ranked city by its residents for overall liveability.
- There has been an increase in the proportion of families with children living in higher density residential dwellings. In Sydney in 2011, 43 per cent of people living in flats, units or apartments were part of families with children. A quarter of those households were one-parent families.

*Launceston.*

Image courtesy of John Hardman



- The proportion of the population that is Aboriginal or Torres Strait Islander is largest in Darwin (9.2 per cent) and smallest in Melbourne (0.5 per cent). However, Sydney's Indigenous population (54,747 people) is the largest in the country. Although proportionally the smallest, Melbourne's Indigenous population (18,206) is almost double that of Darwin (11,100).
- While Australian cities may be expensive for international visitors, the cost of living for Australian residents of Australia's capital cities has been relatively stable for over two decades. Sydney is the most expensive city with the highest average costs for electricity, mortgage interest, transport and recreational activities.
- Early life is an important social determinant of health. Results from the 2009 Australian Early Development Index (AEDI) shows that a smaller proportion of children are 'developmentally vulnerable' in metropolitan areas than in country Australia, except in Queensland.
- Of the capital cities, Hobart has the highest proportion of people who walk to work whilst Perth has the lowest. Darwin has the highest proportion of people who cycle to work whilst Sydney has the lowest.

## Key findings Chapter 6: Governance

- Implementation of the National Urban Policy is well underway as summarised in Appendix B.
- The Council of Australian Governments (COAG) Reform Council provided COAG with its *Review of capital city strategic planning systems* in December 2011 and the report was publicly released in April 2012. It found that while jurisdictions made considerable efforts to improve their strategic planning systems, no jurisdiction was found to be wholly consistent with the nine nationally agreed criteria. It highlighted the need for ongoing targeted and agreed intergovernmental co-operation on cities issues to help all levels of government get in place effective strategic planning systems.
- In its response to the report, COAG agreed to continued intergovernmental collaboration and that further work on cities would be taken forward by the COAG Standing Council on Transport and Infrastructure (SCOTI).
- The 2012–2013 Federal Budget included a framework for the second phase of the Nation Building Program (NB2) which will run from 2014–2019 and help deliver on the goals and objectives of the National Urban Policy.
- An Infrastructure Finance and Funding Reform report, prepared by the Infrastructure and Finance Working Group, was released in June 2012. It stressed the importance of improved planning, a deeper pipeline of projects and funding reform.
- In June 2012 the Productivity Commission released the first national study of the regulatory role of local government. Its key message is that implementing and enforcing state laws, rather than local laws, is dominating local governments' regulatory workload.