

7 July 2011

The Hon. Barry O'Farrell MP
Premier of NSW
Minister for Western Sydney
L40, Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

Dear Premier,

Re: The relationship between new infrastructure planning arrangements and land use planning

We write with reference to the above subject.

Firstly, we would like to congratulate you on the successful passage of the important legislation giving effect to Infrastructure NSW. These early steps are very positive. We particularly welcome the new statutory requirements requiring the state government to pursue medium and long-term infrastructure planning. We acknowledge that no state government has ever attempted to impose this level of discipline on itself before.

As you are aware, under your new legislation, Infrastructure NSW must now prepare and submit to you a 20-year state infrastructure strategy. However, the legislation suggests that the infrastructure planning will take place against the backdrop of "current land use plans and population projections".¹ This is worrying, because **the projections and targets in the current land use plans are only a shadow of comparable interstate figures.**

For example, the *Sydney Metropolitan Plan for 2036* target for housing production is 25,600 dwellings a year, when independent advice commissioned by NSW Treasury last year suggests that demand for additional housing in Sydney is between 25,000 and 50,000 a year.² Even if Sydney's new housing supply increased from the 16,000 extra homes that (we estimate) were completed in 2010/11, to the number projected in the last government's *Metropolitan Plan*, Sydney's per capita rate of home construction would still be the lowest of all the mainland capitals.

The same plan sought to cut Sydney's growth in employment capacity by one quarter. Between 2001 and 2006, the job market in Sydney grew annually by 1.3 per cent, but the projections in the *Metropolitan Plan* seek to reduce average annual growth in employment capacity between 2006 and 2036 to 1 per cent. This means the current land use plan will only permit an extra 760,000 Sydney jobs by 2036, instead of 1.03 million jobs.

By way of contrast, in the last five years, Melbourne's job market has been growing at an annual rate of 2.9 per cent, and Brisbane's has been growing at 2.5 per cent. Sydney should be Australia's employment hub, yet current land use plans contemplates painfully slow job growth, running at a third of Melbourne's level.

¹ *Infrastructure NSW Act 2011*, s 17(2)(b).

² P Abelson, *Residential Building Activity in Sydney: An Overview and Seven Case Studies* (2010) 6. (Available at <http://www.treasury.nsw.gov.au/_data/assets/pdf_file/0004/18562/GIPA_11_21_Report_Building_Activity_Peter_Abelson_Sept_2010_dnd.pdf>)

In terms of people, the last government's *Metropolitan Plan* assumed Sydney's population would grow at an average annual rate of just 1.1 per cent between 2006 and 2036, while, for the same period, the Australian Bureau of Statistics (ABS) projects:

- Melbourne's population growth to be between 1.2 per cent and 1.7 per cent a year;
- Brisbane's population growth to be between 1.4 and 2.2 per cent a year; and
- Perth's population growth to be between 1.5 per cent and 2.4 per cent a year.³

If Sydney's does grow at the very modest level projected under the *Metropolitan Plan*, its population will be 5 million in 2020. If it grows at the same level as the ABS projects for Melbourne, Sydney could reach 5.4 million in 2020. If Sydney grows at the level projected for Perth, the population could be 6 million by 2020.

It would seem to us that **plans for new infrastructure simply will not be fundable by government without employment and population growth commensurate with the levels seen in other states.** The empirical data demonstrates that economic growth, and thus government revenues, tends to track population growth.⁴ Average household incomes tend to be higher in areas where population growth overall is stronger.⁵

It is vital that infrastructure planning takes place on the basis of population projections, dwelling targets and employment capacity targets that envisage NSW growing at the same levels of other states, such as Victoria, Queensland and Western Australia. Infrastructure planning will be flawed from day one if it is based on the unambitious targets of the former government.

In-line with a recent Productivity Commission recommendation,⁶ we see no difficulty in planning for multiple scenarios, e.g. a low, medium and high growth scenario. However, in this context, the former government's projections should form the basis of any "low growth" scenario.

We also note that under the new law, Infrastructure NSW is to prepare and submit to you a "sectoral state infrastructure strategy statement" for any particular sector that you consider significant.

Given the clear problems that parts of NSW have had in coping with urban expansion, **we urge you to identify the "urban infrastructure necessary to support growth" as a "significant" sector requiring special planning.** This may be an opportunity to set out new growth projections for employment, population and dwellings more in-line with other states.

Once again, congratulations on your government's positive start on the infrastructure front.

Yours sincerely,
Urban Taskforce Australia



Aaron Gadiel
Chief Executive Officer

³ Australian Bureau of Statistics, *3222.0 Population Projections, Australia, 2006 to 2101* (2008).

⁴ BIS Shrapnel/Urban Taskforce, *Going Nowhere* (2010).

⁵ MacroPlan Australia/Urban Taskforce, *People Power* (2011).

⁶ Productivity Commission, *Performance Benchmarking of Australian Business Regulation: Planning, Zoning and Development Assessments Volume 1* (2011) xxxiii.