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Committee Secretary
Joint Standing Committee on the National Capital and External Territories
Department of House of Representatives
Parliament House
CANBERRA ACT 2600
cc. Senator Kate Lundy

Dear Sir/Madam,

Planning the ACT Together (PACTT) is an association of community groups and individuals interested in planning issues in the ACT. Member community groups include the Woden Valley Community Council, the Belconnen Community Council, the Gungahlin Community Council, the Griffith/Narrabundah Community Association, the Garran Community Association and the Yarralumla Residents' Association.

PACTT has recently made a submission to the ACT Planning and Land Authority in response to the Authority's release of the Draft Canberra Spatial Plan. In its submission, PACTT examines the assumptions on which the Draft Spatial Plan relies and shows that they are unrealistic. The "preferred direction" of development recommended in the Draft Plan is therefore untenable. As a whole, the Draft Plan is considered to be damaging to the character of Canberra and reflects very poorly on the capacity of the ACT Planning and Land Authority to develop a longer term plan for the National Capital in a rational and realistic way.

In a meeting with PACTT representatives on 20 January 2004, Senator Lundy suggested that PACTT should forward this submission to the Joint Standing Committee for its consideration in connection with the Joint Standing Committee's current inquiry into the National Capital Authority.

Accordingly, a copy of the PACTT submission to the ACT Planning and Land Authority is attached. Senator Lundy was unsure whether or not submissions to this Joint Standing Committee inquiry have already closed, but recommended that the PACTT submission be forwarded in any case. If there is any question regarding the timeliness of this submission, please consult with Senator Lundy.

Yours sincerely,

PLANNING THE ACT TOGETHER (PACTT)

RESPONSE TO THE DRAFT SPATIAL PLAN
17 December 2003

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INTRODUCTION

The *Draft Canberra Spatial Plan* was released for public comment in November 2003, and proposes a Preferred Direction for ACT development to the year 2032. The Preferred Direction is summarised at pp. 86-87 of the *Draft Canberra Spatial Plan*. This response is principally concerned with the assumptions underlying the Plan, particularly as they affect residential development, and concludes, on the basis of analysis of these assumptions, that the Preferred Direction is unrealistic. A more realistic residential strategy is briefly outlined.

The recently released *Economic White Paper for the Australian Capital Territory*, released in December 2003, is referred to in discussing the assumptions behind the *Draft Canberra Spatial Plan* because the two Plans form part of the Canberra Plan and because there are cross-references between them. The report *Australian Capital Territory Population Projections 2002 - 2032 and Beyond* by the Demographic Unit, Policy Group, Chief Minister's Department (June 2003), is also referred to, as the Demographic Report. Page references in this response are to the *Draft Canberra Spatial Plan* unless otherwise indicated; a page number following a reference to or a quotation from another report will refer to the referenced/quoted work; references to "the Plan" are to the *Draft Canberra Spatial Plan*.

POPULATION AND HOUSING ASSUMPTIONS

There are currently (2002) 321 800 people living in the ACT (p.22). The June 2003 Demographic Report (p. 3) projected an ACT population of 389 000 by the year 2032. By that year, the Demographic Report estimated the average household size would be 2.2 persons, down from the current 2.5 (see the Demographic Report's *Table 4: Household Projections*). The population projection is based on trends and estimates of fertility, mortality and migration. The Demographic Report fertility and mortality trends and estimates, together with the forecast household size of 2.2 persons in the ACT in 2032 are accepted and appear to be uncontroversial.

The migration expectations remain, then, the only uncertain aspect of the Demographic Report population projection. The recent history of ACT migration is summarised in the graph on p. 13 of the Demographic Report, reproduced below as Fig. 1.

TOTAL NET INTERSTATE AND OVERSEAS MIGRATION TO CANBERRA
1982-2002

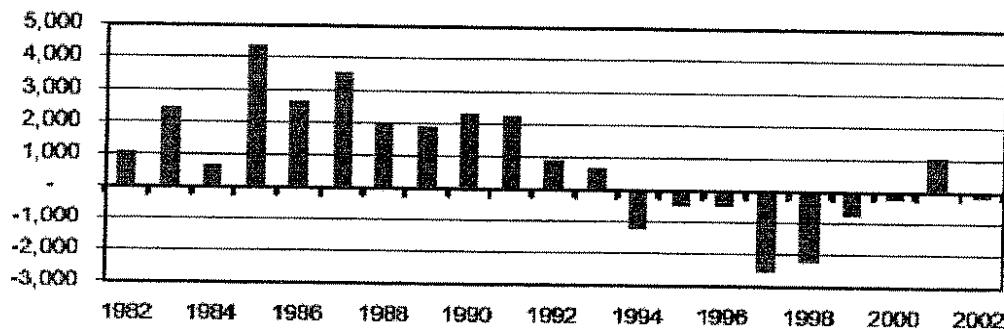


Fig. 1

Source: Australian Capital Territory Population Projections 2002 - 2032 and Beyond (June 2003, p. 13). Demographic Unit, Policy Group, Chief Minister's Department, ACT Government.

As can be seen from Fig. 1, only two of the last ten years, 1993 and 2001, have shown a net in-migration to the ACT. During the 1980s, in-migration was much higher, roughly 2 250 annually between 1982 and 1990 (estimated from Fig. 1). In discussing future migration, the Demographic Report states:

"While the future might hold some periods of Federal Government or private sector expansionism or centralisation, or the reverse, it is difficult to imagine prolonged periods of exceptionally high growth (or decline). It seems more likely that levels of net migration to Canberra could average around 500 per year over the longer term." (p.13)

The ABS *Population Projections, Australia* (Cat. No. 3222.0) of September 2003 offers population projections (Series B¹) for the ACT of 364 900 in the year 2021 and 389 600 in the year 2051. The Demographic Report's 389 000 in 2032 is therefore a little more generous in its population projections than is the ABS, but the two projections are basically compatible². They are both higher than a projection based on the last ten years' experience in the ACT would lead us to make. The Economic White Paper acknowledges this when it refers to current net in-migration as "currently about zero" (p.24).

Population projections are obviously a vital part of a long term planning exercise. Referring to the Demographic Report, The Plan describes the projected level of population increase as "*not sustainable in very fundamental areas*" (p. 22). The areas referred to are age of the population and government expenditure.

¹Three series of projections are given by the ABS in this publication, Series A, Series B and Series C. Series A reflects the highest assumptions about fertility rate and overseas migrant intake; Series C reflects the lowest assumptions, and Series B is intermediate.

²The Demographic Report quotes an ABS population projection produced in the year 2000, in which an ACT population of 370 000 in 2032 is suggested.

Given the status of the Demographic Report ("*These projections are the recommended ACT Government series. They have been prepared for ACT Government agencies, business and the community to use in Budget proposals and policy formulation, and are consistent with those contained in the 2003 Budget.*" Demographic Report, p. 2), such a dismissive attitude is surprising. It is also surprising that very little justification for rejecting the Demographic Report's projection is given; what there is, is discussed further below under the "Economic Assumptions" heading.

The Plan further states:

"A strength of The Canberra Spatial Plan is that it will provide a framework within which variable growth rates, from 430 000 to 500 000 and beyond can be accommodated in a sustainable manner." (p.23)

The Plan notes that an ACT population of some 460 000 could be achieved with net in-migration of 2 500 annually, ie. by "capturing" most of the growth that is currently occurring in its sub-region (pp.22-23; for the "capturing" strategy see below under "Regional Assumptions").

The Plan gives the number of dwelling units in the ACT as 121 730 at June 2001. This figure can be updated by consulting the quarterly ABS publication *Building Activity, ACT - March quarter 2003* (Cat. No. 8752.8) which indicates that at least an extra 3 020 dwelling units have been completed since that date, with a further 2 255 under construction, giving a total of 127 005 dwelling units currently available or under construction. This is likely to be still a little low, because commencements since March 2003 are not counted.

Using the projected average household size of 2.2 persons, a population of (say) 460 000 in 2032 would require *at least* 209 090 dwelling units. An extra 82 085 dwelling units would therefore be required over the next 30 years, implying an average annual rate of completion of 2 736 dwelling units annually. This would mean an increase in dwelling units completed annually of no less than 117%³ - ie. it would mean more than doubling the output of our existing domestic building industry. The summary of the Preferred Direction on p. 86 indicates that even more ACT dwelling units than this are called for - 85 500 in total.

The Economic White Paper refers to the Demographic Report's projected 389 000 people by 2032 as moderate population growth, and says: "*Moderate population growth over the next 30 years would be a good outcome for the ACT*" (Economic White Paper, p. 24). The White Paper qualifies this by saying that without aiming for higher levels of growth, even moderate growth may elude us. The rationale for this statement is not made clear - the projection is essentially a "business as usual" scenario which doesn't call for any particular actions.

We see from the above that assumptions in the Plan for population and resulting housing needs in 2032 are amazingly high, far in excess of the Demographic Report's projection or what the ACT's recent migration experience would lead us to expect.

³ The ABS *Building Activity, ACT - March quarter 2003* (Cat. No. 8752.8) indicates an average annual number of dwelling units completed of 1256 between 1999 and 2002.

These population assumptions further imply more than doubling the output of the ACT housing industry.

ECONOMIC ASSUMPTIONS

The reasons given in the Plan for dismissing the Demographic Report population projections are: *"In this population scenario, the ACT will have an increasingly ageing population, with an average age of 43.3 years in 2032. It would be difficult to continue to fund the current levels of infrastructure, open space, and public services and facilities."* (p. 22). The connection between projected population ageing and such budgetary difficulties is not spelled out in the Plan. However the Demographic Report itself and the Economic White Paper provide some clues.

The Demographic Report directly addresses the projected ageing of the ACT population. This Report states that *"By 2032, the proportion of the population in the labour force will fall from the current peak of 56% to 50%. This is about the level it was during the early 1980s."* (p.6). Outside the labour force, the number of older persons is projected to rise considerably, and the number of children to fall.

The Economic White Paper states: *"... the ACT is facing a significant shortfall in the people of employable age that are needed to drive future growth in the economy. For example, the proportion of people aged 65 years and over is projected to increase from about 8% of the population now, to over 20% in 30 years."*⁴ (p. 24).

In support of this assertion of shortfall, the Economic White Paper presents a graph (p. 25) projecting labour shortage resulting from the ageing of the ACT population after about the year 2011.

It would appear therefore that the assumption of unsustainability of the Demographic Report's projection is economic in nature, and resolves into

- a) a belief that, on the Demographic Report's projection, ACT budgetary receipts in 2032 would be too low to support the increased number of older people together with the "current levels of infrastructure, open space, and public services and facilities", and
- b) a belief that there would be a labour shortage after about the year 2011.

These beliefs partly support the assumption of very large population growth (see above) as being the "sustainable" Preferred Direction.

REGIONAL ASSUMPTIONS

The Plan notes (p.58) that *"In recent years, surrounding NSW has experienced increased rates of growth higher than those in the ACT"*. The reference is to population growth, and suggests that the causes are *"...economic factors, the outflow from the Sydney corridor and a reflection of lifestyle changes"*.

⁴ In context, this quote refers to the outcome without moderate population growth. It is, in fact, the outcome projected by the Demographic Report, which is regarded in the Economic White Paper as representing moderate population growth. This is presumed to be a simple misunderstanding.

This is a little vague, but is more clearly explained in the Demographic Report, which states (referring to the region's growth):

" This is primarily because of higher rates of migration and people working in Canberra choosing to live in the immediate surrounding region. The growth in the ACT economy has helped the immediate surrounding regional economy to grow faster than many other regional areas of NSW." (p. 8)

On the issue of cross-border development the Plan has this to say:

"If a greater proportion of the likely urban development was to occur in NSW (because the Territory does not accommodate the growth or it is less attractive to purchasers) the resultant urban settlement pattern would be more dispersed. People would need to travel longer distances to employment centres and to access facilities and services and more environmental resources would consequently be consumed. Most financial returns from development would go to the private sector, with the NSW and ACT Governments left to pay for the delivery of services and facilities. A settlement pattern involving a greater proportion of development occurring within the Territory would not only be more sustainable ecologically and socially, but would also return the economic benefits of land development to the Territory community to assist in the provision of the delivery of services and facilities" (p.59).

These quotes reveal a good deal about the thinking behind the regional aspects of the Plan. It seems clear that there is a strong desire to keep ACT workers in the ACT and forestall their moving to Queanbeyan or to rural residential locations outside the ACT.

This interpretation is supported by a statement on p. 22 of the Plan, about how to achieve an ACT population of 430 000: "...at the most straightforward level, it would need Canberra to capture most of the growth that is currently occurring in its sub-region...".

The Economic White Paper further supports this interpretation with the statement: "Over time the returns on land sales and ongoing revenue is significantly greater if the people who work in the ACT and use its services actually live in the Territory." (p.82).

In regard to the economic benefits of land development, the ACT Government's move since the last election to undertake land development itself is highly relevant. The gains to the ACT Government of land development are now very direct. The Economic White Paper refers specifically to the value of land development to the ACT Government, noting that the ACT Government is more dependent on this source of revenue than are State Governments, and stating bluntly: "To a significant degree, the strength of future Government Budgets depends on returns from land transactions" (p.88).

It seems clear that the primary regional assumption underlying the Preferred Direction in the Plan is that, as far as possible, residential development in the region

surrounding the ACT should be "captured" and brought within the ACT border. The motivation is mostly to do with increasing ACT Government revenue, though environmental reasons to do with concentration of development are also suggested.

SUMMARY OF ASSUMPTIONS

The three preceding sections reveal a simple network of assumptions on which the Preferred Direction is based:

- beliefs about the unviability of the Demographic Report's population projection for 2032, based on aged care costs and future labour shortage;
- a belief that very much increased migration rates can solve this "problem" and
- a belief that such large migration rates can be achieved by "capturing" the population growth which will occur in the environs of the ACT to 2032.

CRITIQUE

Unviable aged care costs and future labour shortage

To a large extent, the likely increase in aged care costs in the ACT to 2032 will be picked up by the Commonwealth. In its 2002 report on future aged care costs, the Allen Consulting Group included the following graph (reproduced as Fig. 2)

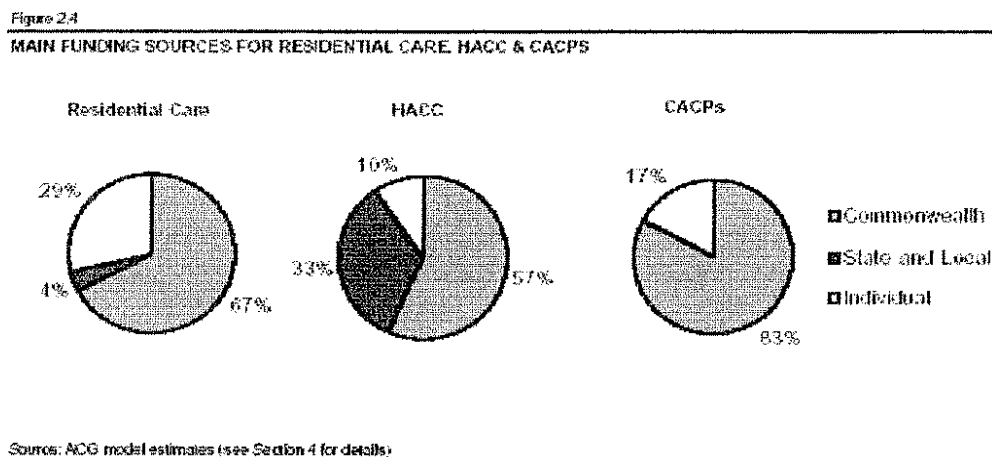


Fig. 2
Source: Allen Consulting Group (2002) *The financial implications of caring for the aged to 2020* (p.40)

Fig. 2 indicates that the major ACT government responsibility for the increase in health care costs (other things being equal) will be in respect of the HACC⁵ program, 33% of which is State/Territory funded.

While this is an increased cost, it needs to be viewed in the context of overall economic costs and benefits of an ageing population to the ACT. Another Allen Consulting report, *Economic and Policy Implications of the Aging of the ACT*

⁵ Home and Community Care

Population (October 2003), commissioned for the Economic White Paper, specifically addresses this issue. It concludes that, from the viewpoint of the ACT Budget,

"While it is difficult to precisely estimate the net impact on the ACT Government budget of an increase in the number of older people, it seems unlikely that there would be any dramatic impact on the Territory's budget position (given current policy settings)". (p. iv).

This report also concludes that the overall economic impact will be good;

"The general economic impacts of population ageing are strongly positive: older people are expected to enjoy higher than average income growth; tend to spend a high proportion of their income; and take few, if any, jobs from younger labour market participants." (p. iii).

At the National level, a study undertaken for the Commonwealth Department of Health and Aged Care in 1999 by ACIL Consulting concluded that:

"The conclusion we draw from the above is that it is highly unlikely that future growth in expenditure to support the aged will place a significant strain on the economy. Even under fairly pessimistic scenarios, the ageing population structure does not translate into a large increase in public sector outlays relative to GDP or total government expenditure." (p. 25)

Given the absence of supporting evidence in the Plan or the Economic White Paper, the assumption of an unsustainable burden imposed on the ACT economy and budget by an aging population is substantially destroyed by these reports, which are based on detailed estimates of likely costs and benefits of demographic change.

The belief incorporated in the Economic White Paper that demographic change will lead to a shortage of labour after about 2011 is inherently unlikely. Unfilled jobs will attract labour (as they have always done). If there is a general labour shortage in the ACT region or Nationally, usual labour market processes will apply everywhere, and the ACT would not be more adversely affected than any other place. There is no barrier to labour moving to the ACT to take up employment opportunities.

However the White Paper provides no really convincing reasons to believe that a labour shortage would result from demographic change in any case. A graph at Fig. 16 (p.25) of the White Paper portrays labour shortage on the basis of a sharply rising employment growth curve for which no rationale is provided except for the statement *"Economic drivers of employment growth are based on exponential growth in employment of 1.7% per year."* (Fig. 16, caption). The graph receives a bare mention in the text. It is difficult to respond to an assertion such as this without some evidence being offered, and without such evidence the only real options are to dismiss the assertion or to ignore it until supporting evidence comes to light, (if it does).

Much increased migration rates could prevent demographic change

Even though the assumptions behind the belief of non-viability of the Demographic Report projection have been demolished, it is worth noting that the second major

assumption identified above - that much increased migration could prevent demographic change - is also probably untrue.

The Demographic Report specifically addresses this issue. Even with a migration rate of 2 500 annually (higher than that experienced in the 1980s), the proportion of the population aged 65 or older in 2032 would only be reduced from 22% to 20% (p. 4).

The ABS, referring to the National age distribution, makes the same point. In the September 2003 *Population Projections, Australia* (Cat.No. 3222.0) it states:

"Even large differences in NOM⁶ have a relatively small impact on the age distribution. Varying the level of NOM from 50,000 to 150,000 per year changes the median age of the population in 2051 from 47.7 years to 46.1 years respectively, a difference of 1.6 years."

High migration rates can be achieved by capturing regional growth

Since the assumptions of adverse economic, budgetary and employment consequences of an ageing population have already been demolished, there seems to be little point in discussing the "capture" strategy, as the reasons for adopting it have been removed. It is still worth noting, however, that this strategy is seen as a means for the ACT government to increase its revenue.

Even without revenue problems arising from changing demographics, it would not be surprising to see any State or Territory government looking covetously at opportunities for revenue-raising. At the risk of unnecessary repetition, we reiterate that the "capture" strategy, if adopted, cannot be justified on grounds of self-defence. There is no demographically-driven necessity for the ACT to strive for very high levels of in-migration.

THE REAL SITUATION

We can now look objectively at the planning environment for residential construction which we face in the ACT. Fundamentally, this is the environment of the Demographic Report - planning for a population projection of 389 000 people by 2032.

A population of 389 000 in 2032 will require at least 176 818 dwelling units, assuming that the Demographic Report's projection of average household size of 2.2 persons is correct. Since the ACT's existing housing stock is 127 005 (maybe slightly more), an extra 49 813 dwelling units will be required.

The number of new dwellings anticipated in the Plan is quite unnecessarily large, but the Plan does provide estimates for the number of dwellings which could be built in various locations, not all of which we now need to use. It remains a useful guide, provided we adjust our numbers downwards to conform to the real projected population.

⁶ Net Overseas Migration

The total number of development sites identified in the Plan's "Preferred Direction" are summarised in Table 1. Progressive use of the 40 000 sites marked with an asterisk (*) over the next 30 years would still leave another 9 813 sites to be found.

Site	No. of dwellings
Gungahin	28 000*
Dunlop	2 000*
unused sites in Bruce, McKellar, Laswson, West Bonython, East O'Malley, North Watson	10 000*
Total completion of new suburbs/ unused sites in established suburbs	40 000*
infill sites in North and South Canberra	20 100
infill sites in Belconnen	9 600
infill sites in Woden	3 000
infill sites in Weston Creek	500
Total infill sites	33 200
Molonglo Valley (new greenfield)	12 000
Kowen Plateau (new greenfield)	8 500
Total new greenfield	20 500

Table 1

Source: the Plan pp. 24 and 86

Note that this summary of the "Preferred Direction" identifies no sites outside the ACT

It would be possible to find the extra 9 813 sites through infill, or through the development of entirely undeveloped areas in Molonglo Valley or Kowen. But the analysis of the Plan presented above indicates that this is not needed. There is no necessity to "capture" population into the ACT. Developments outside the ACT in Tralee, Googong or Sutton (not included in the "Preferred Direction" but which according to the Plan could accommodate a total of 21 300 dwellings - p. 84) would cause no economic distress in Canberra, and might reasonably be expected to account for a proportion of the 9 800 additional dwellings required through large-block or rural/residential developments.

Further development of Queanbeyan and smaller settlements like Hall, Bungendore, Burra and Murrumbateman may be expected to accommodate some people wishing to live and work in the area but preferring a different lifestyle.

A further proportion of the dwellings required may be in the form of retirement/ nursing homes, to accommodate especially the increasing number of over-85s in the ACT population.

The remaining extra dwellings needed may be easily provided over 30 years through a moderate and distributed infill program, which would be small enough to be managed carefully without detracting from Canberra's established and much-loved residential style.

CONCLUSIONS

This paper has examined and critiqued the assumptions underlying the Preferred Direction for development (particularly residential development) in the ACT to 2032, and found that these assumptions, and therefore the Preferred Direction, are unrealistic. The evidence quoted here is more substantial and represents more detailed and thorough examinations of the consequences of demographic change than anything in either the Plan or the Economic White Paper.

We therefore believe the Plan should be revised. Revision should be conducted without the population/housing, economic and regional assumptions which this submission has shown to be without foundation.

The Plan still contains options (developed in the context of the earlier paper *Towards the Canberra Spatial Plan*) which could be adapted to the approach outlined above in "The Real Situation". Planning the ACT Together (PACTT) is always ready to discuss such options, based on the real situation, and without unfounded assumptions, with the ACT government.

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