Executive Summary

The Australian Government’s *State of Australian Cities 2011* fulfils a commitment to publish a yearly report on the progress of the cities towards improved productivity, sustainability and liveability. The report builds on the information presented in *State of Australian Cities 2010*, which provided a comprehensive snapshot of Australian cities, which was largely based on the Australian Bureau of Statistics (ABS) 2006 Census of Population and Housing.

This 2011 report provides further detail on some of the issues discussed in the first report, drawing on data from the 2006 Census or, where available, more recent or new data and research from the ABS and other sources to illustrate patterns of growth and change and the current and emerging challenges that are confronting major cities.

The purpose of the report is to inform policy and investment decisions that have a direct impact on urban communities; to record the trends in urban development; and to educate the wider community about the factors that are shaping, not only the way cities are planned and built, but also the Australian urban way of life.

The key findings from each chapter are:

**Population**

- Australia’s population has grown by three million in the past decade. The contribution of international migration to this growth has varied over time and has declined in 2010 to 52 per cent, down from a peak in 2008 of 67.6 per cent.
- The overwhelming majority of migrants settle initially in capital cities, particularly Sydney and Melbourne. They are generally highly mobile in the years immediately after arrival and more likely to move interstate than the general population. Within five years their movement patterns are similar to internal migration trends of the general population.
- International migrants are settling in Sydney at a slightly higher rate than Sydney residents are leaving.
- Melbourne is also a destination for many international migrants but the city is losing fewer internal migrants and consequently is growing more rapidly than Sydney.
- The destination for many internal migrants exiting Sydney and Melbourne was Perth and Brisbane and surrounding regions. Alongside the established trend of older Australians moving away from cities, a similar trend is evident among younger Australians and higher-skilled people moving to near-city and coastal regional areas, with housing affordability and less congestion reported as possible reasons.
The central local government areas of Perth, Melbourne and Sydney all experienced rapid growth as the CBD and surrounding areas were redeveloped with higher-density housing. This trend was most pronounced in the City of Sydney, which added 52,530 residents and was a significant share of Sydney’s population growth (11.7 per cent) in the period 2001 to 2010.

The outer suburbs of capital cities continue to accommodate much of the population growth. However, Sydney has a much higher proportion of infill developments than other capital cities.

Productivity

Productivity growth has slowed and then declined since 1998. The major cities account for 80 per cent of the nation’s economic activity.

Agglomeration (the concentration of certain activities within one area) is a key driver of productivity in the larger capital cities and is strongly associated with employment density.

While there has been an increased concentration of jobs in urban cores, a trend to a polycentric structure is also evident with a large proportion (50 to 70 per cent) of new jobs located in the outer suburbs in Sydney, Melbourne and Perth.

Employed residents of Sydney took 35 minutes on average for the journey to work in 2006, which was longer than the average time taken by Melbourne residents (31 minutes) or Perth residents (26 minutes). Commuting times have changed little for a decade.

Public transport trips in the eight capital cities have increased by 14.7 per cent from 2004 to 2008 and the public transport mode share increased from 9.3 per cent to 10.6 per cent over the same period, well above the population growth rate and higher than many comparable cities internationally.

In depth analysis of 2001 and 2006 Census journey to work data for Sydney, Melbourne and Perth shows that urban commuting patterns became increasingly complex, with strong growth in outward and cross-suburban commutes. Commuters mainly used public transport to reach inner city jobs. Around 60 per cent of commuter travel by public transport in each city was to a workplace located in the central local government area, whereas public transport mode share to outer suburban jobs was five per cent or less. During the same period commuters’ active travel (walking and cycling) mode share rose in all three cities.

Australia’s labour force participation rate is relatively high by international standards and has been mainly driven by increased participation of women in paid employment. Rates are significantly higher in capital than non-capital cities.

Unemployment levels varied across major cities from a low of two per cent to a high of nine per cent.

Industry structure in cities is highly variable suggesting that each city plays a unique role in the nation’s economic system.

The finance and insurance sector is continuing to grow in its dominant position in terms of Gross Domestic Product (GDP) and gross value added.
• Traditional industries such as manufacturing have declined as a proportion of GDP. Despite this decline, these industries are still major employers in cities and continue to make up a significant proportion of the gross value added of Australia’s economy.

• Mining has now overtaken manufacturing as the industry contributing the second highest proportion of gross value added due to a significant recent increase in the terms of trade.

• There has been a significant increase in Australia’s investment in infrastructure in the past decade.

Sustainability

• Since 2006, Australians have been consuming less energy per capita, particularly that generated by coal, recovering more waste from landfill per capita, producing less household waste, consuming less water and have cleaner air in their cities than they have done previously.

• Water restrictions were eased in south-eastern Australia after increased rainfall in late 2010 and early 2011. There has been significant investment in new infrastructure that will mean urban water supply is less dependent on rainfall. The main use of water in Australian cities continues to be in the residential sector.

• Air quality in Australia’s major cities is now generally high by international standards and is expected to improve further as a result of improvements to motor vehicle technology and as older vehicles are replaced. Regional cities in south-eastern Australia generally have slightly poorer air quality ratings for particulate matter than other major cities due mainly to bushfire smoke and dust storms. Regional cities’ air quality in southern Australia tends to be affected more by wood heaters and hazard reduction burns, and inland cities by agricultural activities. Many of these high particulate readings are transitory in nature.

• In terms of fatalities, heatwaves are the largest threat to Australian cities from natural disasters. The record breaking heatwaves in January 2009 severely tested the resilience of Adelaide and Melbourne in particular. In reports on the heatwave, South Australian and Victorian authorities have highlighted the need for more heatwave-resilient urban systems.

• The summer of 2010-11 brought with it extreme weather events. Northern parts of Australia were hit by cyclones and extensive parts of eastern Australia and mid Western Australia were subjected to severe flooding. Bushfires affected Western Australia.

• About 85 per cent of Australians live within 50 kilometres of the coast. More than 700,000 dwellings are within three kilometres of the coast and less than six metres above existing sea level. Projected impacts of climate change show that a significant number of residential buildings may be at risk of inundation and damage from a sea level rise of 1.1 metre (high end scenario for 2100). Projections also show an increased frequency of extreme weather events with associated storm surges and coastal erosion, and an increased risk of damage to property and infrastructure from inundation and erosion.

• Energy consumption across Australia is dominated by electricity generation, transport, and manufacturing sectors which together used more than 75 per cent of the energy consumed in 2009–10.
About 70 per cent of energy is consumed indirectly in products and services used. For example, the energy embodied in the construction of a building is many times greater than the energy used within that building in a year.

In 2009–10 Canberra and Adelaide recorded the highest rates of waste recycled (70 per cent). Perth had the lowest rate at 40.6 per cent, but recorded an increase of 18 per cent over 2008–09 figures. Landfill levies continued to be imposed in most major Australian cities to encourage increased recycling. Brisbane will be subject to a levy from the end of 2011. Where data is available, it shows major cities are producing less household waste per capita. Recycling rates in the construction and demolition stream are increasing in most jurisdictions. Increasing recycling rates for the commercial and industrial waste stream, and for municipal solid waste pose challenges such as the lack or expense of technologies able to adequately manage ‘wet’ or putrescible waste.

Liveability

Australia’s largest cities are in the top 10 of most global liveability rankings and have retained or improved their position.

Melbourne is ranked the most liveable city in the world by one international standard but Adelaide is the most liveable city in Australia as rated by its residents.

Capital cities were rated highly by a survey of more than 4,000 residents for recreational opportunities, outdoor and natural environments and for variety of cultural, entertainment and educational facilities. They rated poorly on roads and traffic congestion, public transport services, environmental sustainability and climate change, and providing quality affordable housing (Property Council of Australia (PCA) 2011).

The cost of greenfield developments is significantly lower than infill developments in all capitals except Sydney where cost of land and associated infrastructure charges on greenfield developments push their price higher than some infill.

Australia has had one of the largest increases in real house prices among Organisation for Economic Cooperation and Development (OECD) countries, particularly since 2000. Price growth rates have been similar between capital cities and the rest of Australia.

Household size continues to decrease as couple families with children continue to decline as a proportion of household mix.

A relatively high proportion of Sydney households live in units and other medium/high density dwellings compared with other capital cities, particularly Melbourne. Families with children overwhelmingly occupy separate houses.

Income inequality remains an area where Australian cities are not performing as strongly as many other OECD countries.

People living in the major cities are generally less likely to die from preventable causes than people in country areas, regardless of socioeconomic levels.

Although a substantial gap remains between Indigenous and non-Indigenous Australians, in many wellbeing indicators there has been a positive trend in the long term unemployment rate in major cities for Indigenous 18-64-year-olds, which has decreased from 57 per cent in 1994, to 25 per cent in 2008.
Governance

- Revisions to ministerial council arrangements under COAG have seen the establishment of a new Standing Committee on Transport and Infrastructure. This Committee will progress the agenda of the former Australian Transport Council and COAG Infrastructure Working Group. It will also have long-term involvement in the implementation of the National Urban Policy and COAG cities reform agenda.

- The Productivity Commission has pointed to the need for improved governance arrangements to achieve greater efficiency and effectiveness of cities.

- The governance structure of Australia’s major cities differs between States and Territories, and between capital and regional cities within them. There is evidence to support significant integration of the different levels of major city planning, infrastructure provision and management, particularly in capital cities.