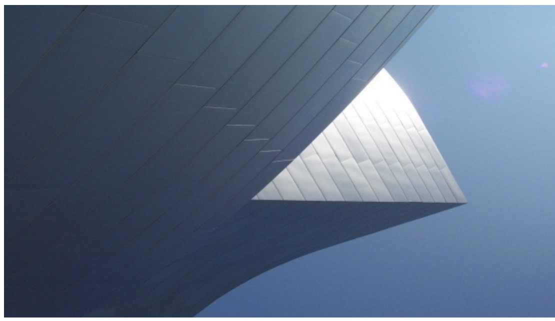
LGMA SA 2010 Future Leaders Forum

26 February 2010



PRESENTED BY

Brian Haratsis
MacroPlan

Growing SA – The Good, the Bad and the Ugly for Local Government

Presentation Outline

ISSUES

CURRENT APPROACHES

LIKELY IMPACTS

FUTURE STRATEGIES

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Let’s look at what we’ve got …

ISSUES

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What you are ...

- **Key SA Statistics**
  - **7.5% of Australia's total population** (1.6 million)
  - 5.7% of Australia's total export trade
  - Gross Household Disposable Income per capita of $30,404 (compared to $32,898 for Australia-wide)
  - **11.7%** of Australia's total gross agricultural value;
  - **7.5% of Australia's manufacturing inc**ome
  - **45%** of Australia's uranium oxide mining income
  - 111,300 new jobs created since 2002 (**16% growth**)
  - Budget deficit for 2009-10 revised down to $174m

What you've got ...

- **SA Economic Drivers**
  - **Resource Development**
    - Largest known uranium resource - Olympic Dam mine, Honeymoon mine, Beverley mine
    - Prominent Hill (copper-gold)
  - **"The Defence State"**
    - Three world-class precincts - aerospace / weapons systems / maritime
  - **Agribusiness**
    - Agriculture, forestry & fishing - $2.9 billion to GSP in 2007/08 & employed 41,500 people
  - **Automotive**
    - GM Holden and cluster of component manufacturers

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What you do well ....

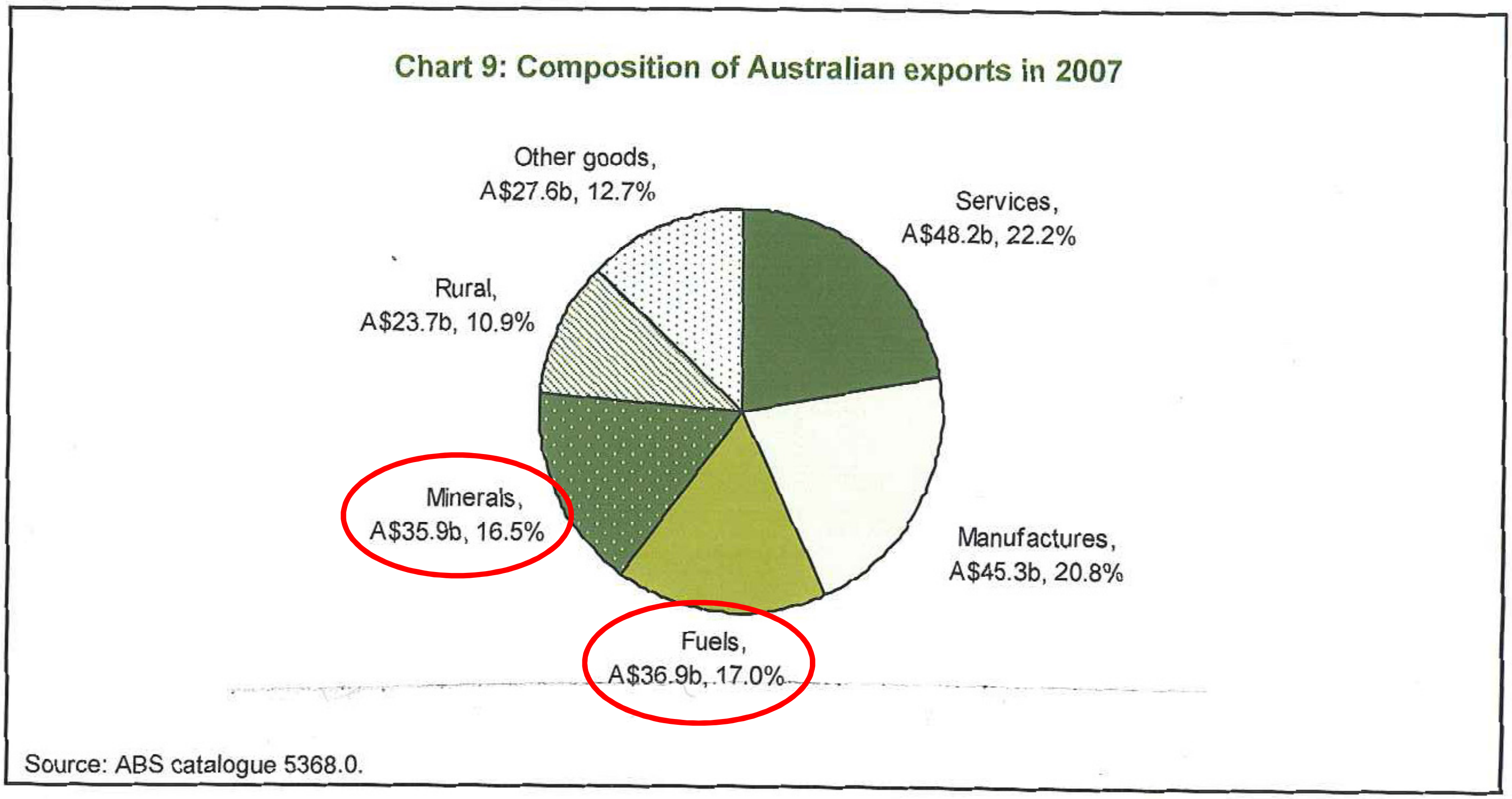
Air Warfare Destroyers

Collins
Class
Submarines

Source: Defence SA

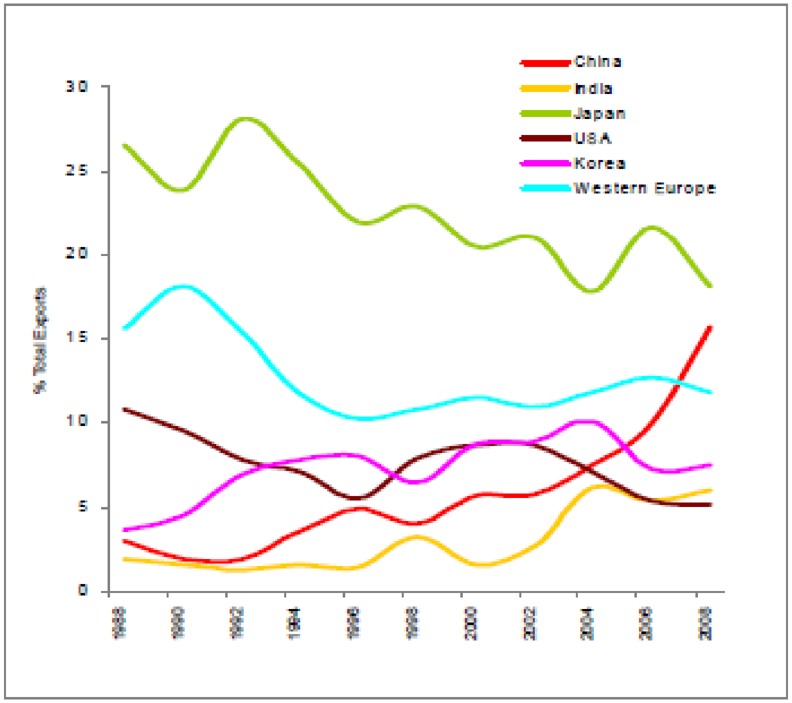
What you are a part of ...

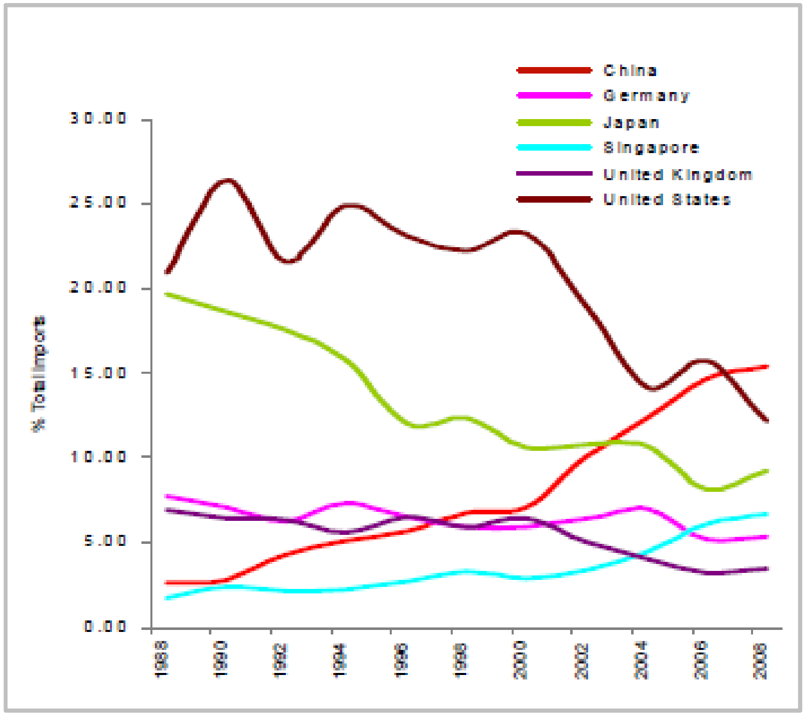
+ Importance of minerals / fuels sectors



What you want a bigger part of ...

- Major Trading Partners
  - Export growth to ***China & India***





Australian Export Partners (total merchandise exports: 1988-2008)

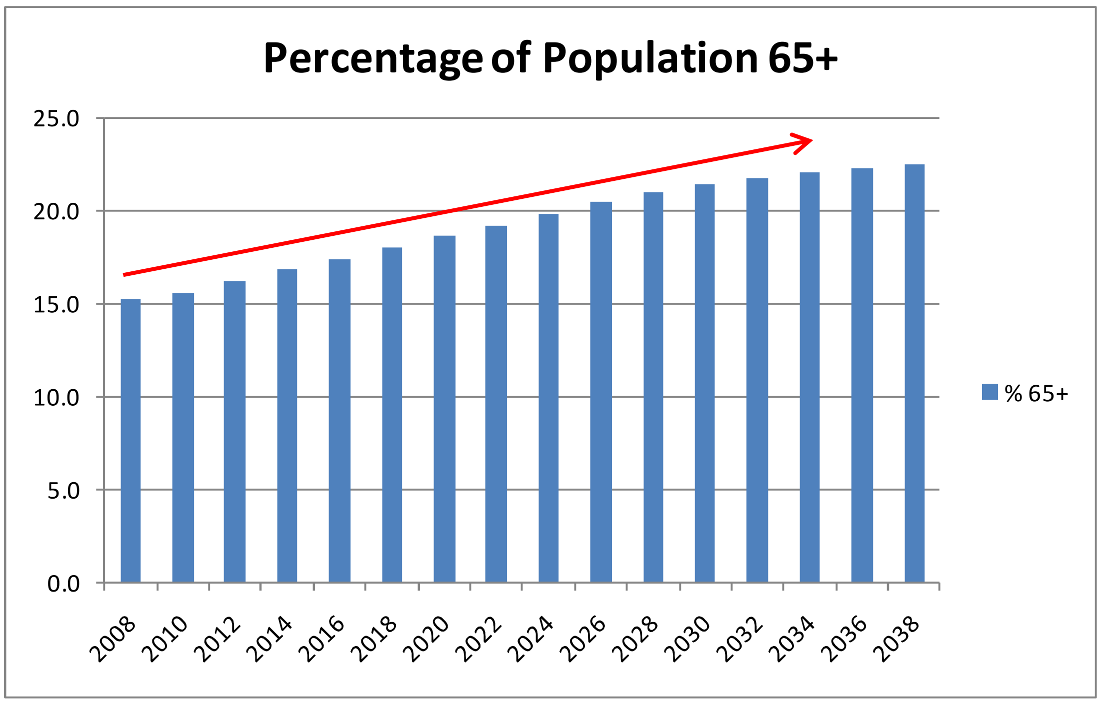
Australian Import Partners (total merchandise imports: 1988-2008

Some Growth Issues ...

- **Population and Land Supply**
  - The State Government expects Greater Adelaide's population to grow by **560,000 by 2038**
  - ABS forecasts population growth of between 322,260 and 401,769 for Greater Adelaide to 2038
  - SA will reach previous '2 million by 2050' target earlier!
  - **7 out of 10** South Australians live in Adelaide – this is projected to remain the same in 2038
  - Adelaide's total supply of metropolitan land is around **5,000 ha** (including recent UGB expansion areas)
  - Land consumption @ around 3,000 lots/year

Our Ageing Population ...

+ ## Adelaide's Ageing Population
  + Proportion of 65+ persons in Adelaide –**15.2%** in 2008 to **22.5% in 2038**
  + Increase of **161,000** persons within 65+ age bracket



Source: ABS Population Projections (Series B) Cat No.

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Economic & Other Issues ...

- **Challenges for the Future**
  - Achieving ***Sustainable Growth*** – growing with self-sufficiency, especially jobs
  - Building & Maintaining ***Competitive Advantage***
  - Importance of ***Infrastructure & Jobs***
  - Housing and services for an ***Ageing Population***
  - ***Affordable Housing*** located near transport, services & jobs
  - ***Taking SA & Adelaide to the world – trade & other opportunities***

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Some current strategies …

CURRENT APPROACHES

A New Plan ...

- **The Plan for Greater Adelaide 2009–2038**
  - Intended to guide the planning and delivery of services and infrastructure, such as transport, health, schools and community facilities
  - Seeks to balance population and economic growth
  - Seeks to create vibrant and liveable communities
  - **Two fundamental changes** to land use planning:
    1. ***More compact urban form***
    2. ***New set of governance arrangements***

A New Approach ...

- A **new urban form**:
  - **70:30 infill to fring**e development (currently 50:50)
  - Focus development in designated transit corridors
  - **Higher density mixed use development** around transit nodes
  - Designation of employment lands close to major residential areas and transport
  - Focus on developing **activity centres**
  - Focus on energy and water efficiency

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Some Key Targets ...

- Key **targets and benefits** of plan:
  - An additional **560,000 people** and **282,000 new jobs** over 30 years within Greater Adelaide
  - An additional 43,000 jobs and 9,700 dwellings in the City of Adelaide
  - A **15-year supply of land zoned** at any given time for residential or commercial and industrial purposes
  - **5,315 hectares of employment land** to be set aside
  - GSP increase of $11.1 billion
  - Proposed **infrastructure expenditure of $11.4 billion**

What it doesn't do ...

- BUT… it doesn't guarantee
  - Jobs
  - Infrastructure investment
- NOR… does it assist in
  - Strengthening Adelaide's **competitive advantage**
- The 30-Plan has a geographic and planning governance focus but doesn't respond to or set the scene for potential broader economic drivers
- **Formulaic** - will be followed by a state-based infrastructure plan, local housing & job targets (subregional plans) & a centres strategy – but, it still ***won't guarantee economic success***

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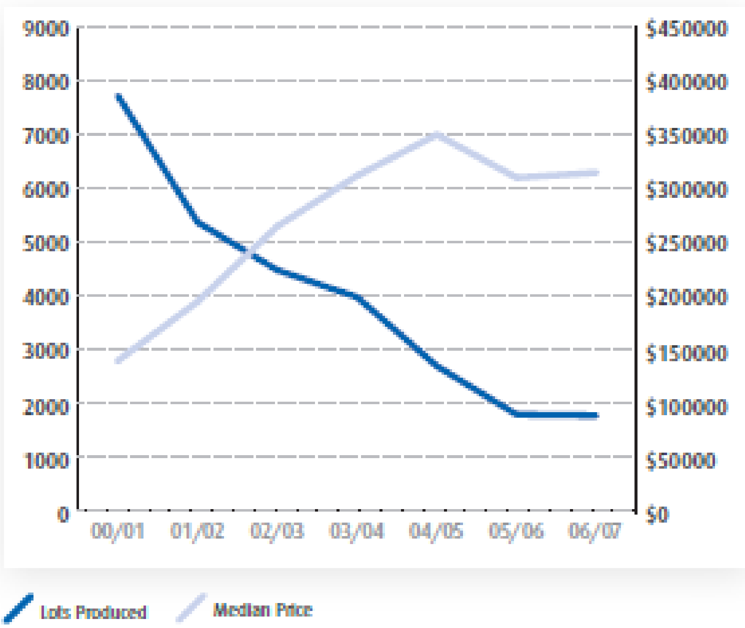
What's likely to happen …

LIKELY IMPACTS

On the housing front ...

- Affordability
  - **Sydney's experience –**
  - Correlation with 'compact city' approach and affordability

Sydney Greenfield Lot Production and Median Price



Greenfield Lot Production and Median Price

Metropolitan Sydney

Period	Lots Produced	Average Lot Size	Median Price
2000/01	7731	575	$140,000
2001/02	5380	550	$195,000
2002/03	4488	550	$265,000
2003/04	3989	500	$312,000
2004/05	2704	500	$350,000
2005/06	1803	450	$310,000
2006/07	1783	450	$315,000

Source: NSW Metropolitan Development Program 2007/08, Colliers International Research, RP Data.

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Land prices ...

- Affordability
  - There is a risk of a shortfall in **supply to meet demand** if delays in the development process occur

Adelaide Statistical Division

Period	Lots	Ave lot size (m^2)	Ave Price ($)
1995-96	1920	n/a	52,000
1996-97	2190	n/a	55,000
1997-98	2580	n/a	59,000
1998-99	2640	n/a	61,000
1999-00	3300	583	70,000
2000-01	1980	587	69,000
2001-02	3420	585	79,000
2002-03	3000	582	92,000
2003-04	3180	561	132,000
2004-05	2520	530	140,000
2005-06	2020	522	150,000
2006-07	2110	514	155,000
2007-08	2500	503	170,500
2008-09 (est)	2000	450	180,000

Source: UDIA 2009

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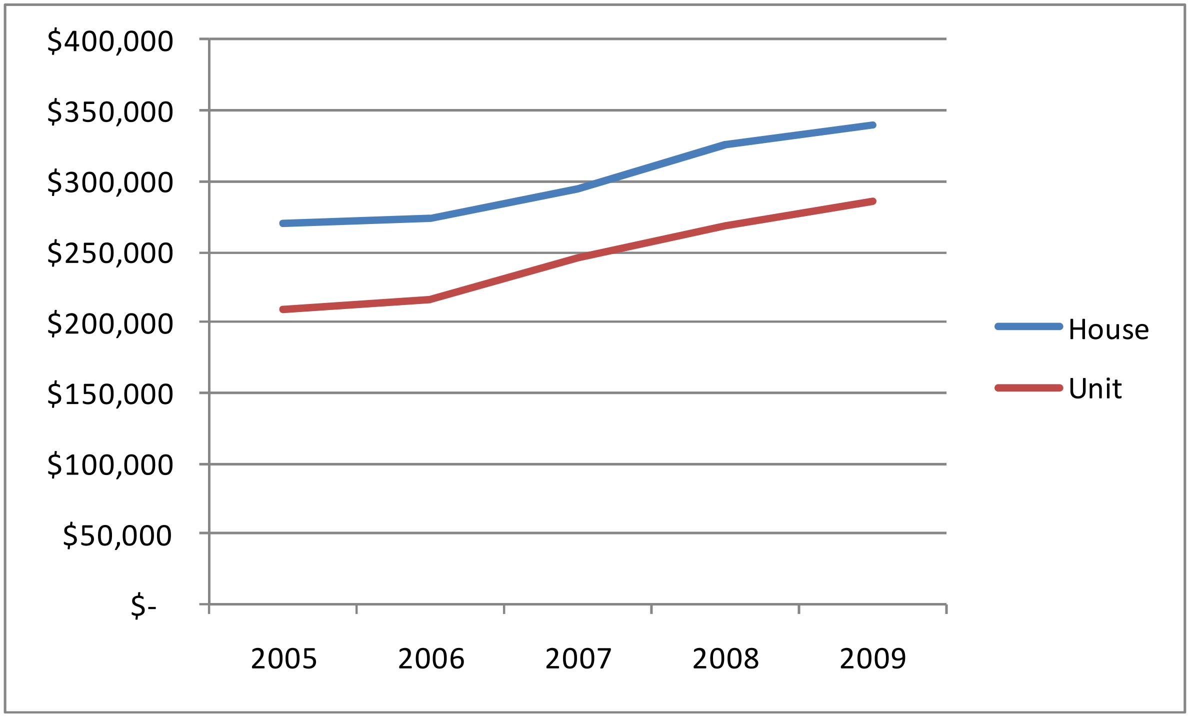
Housing prices ...

+ Housing Affordability – **Metropolitan Adelaide**



	2005	2006	2007	2008	2009	Price Growth 2005-2009
House	$ 270,000	$ 274,000	$ 295,000	$ 326,500	$ 340,000	26%
Unit	$ 209,000	$ 215,500	$ 245,000	$ 268,000	$ 285,000	36%

Source: RP Data (2010), MacroPlan Australia (2010)

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Likely market response ...

- **Housing Choice**
  - Compact city **‘by choice’** vs. compact city **‘by force’**
  - People will respond with their feet if housing choices are **forced** upon them
  - Ageing population – need for a diverse housing product in proximity to adequate services
- **Viability of new development**
  - Despite the UGB expansion, the focus on a ‘compact city’ will see the need for higher density development
  - The economics / viability of these types of development within Adelaide might not stack up
  - Challenge will be to get developers to build this type of higher density product, especially TODs

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Don’t forget the economy STUPID ...

- Employment and Infrastructure
  - Understanding infrastructure usage – where under-utilisation and over-utilisation is occurring
  - Market gaps for employment land – commercial, retail, industrial demand / supply
  - Movement of goods and people will determine:
    - The right mix of jobs
    - Geographically - where these will be situated

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Alternate approaches …

FUTURE STRATEGIES

…underpinned by economic realities…

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Easy trappings ...

- **Not about tourism drivers…**
  - Music (Womadelaide)
  - Lance Armstrong (Tour Down Under)
  - Fringe Festivals
  - Clipsal 500 (V8s)

- … the focus must be on industries that ***drive & secure population growth***
  - Minerals & resource development
  - Automotive & Defence
  - Agribusiness & Mining
  - New industries ... Education, Research

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Economy first ...

+ These drivers focus on SA's ***competitive advantage***
  + Triple A credit rating
  + An advanced manufacturing, technology and research base
  + Comparatively low property, land and construction costs
  + Specifically, Adelaide is:
    + Australia's **most cost-competitive city** for business
    + **Seventh most liveable** city in the world (2007)
    + Among the world's **least expensive** cities in which to live

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Planning imperatives ...

- **Metropolitan Thinking**
  - Employment market to new centres
  - Employment targets need to be achieved with realistic structure plans / local strategies
  - ***Proactive policies*** to induce economic development
  - For councils, there needs to be a ***refocus on projects***
  - Adelaide reinforces itself as the centre of economic development in the region
  - ***Freight and logistics as a suburban (and regional) driver***

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Ear to the ground ...

- Knowledge of **local market** is vital
  - Keep abreast of changes
  - Identify opportunities
  - ***"Steer the ship, rather than the ship steer you"***
  - Housing and employment studies
  - Engage with the private sector
  - Compete!
  - SA & Adelaide to the world – **local economies** will play their part!

Facilitating Investment ...

- Infrastructure Investment
  - Critical to provide infrastructure where needed
  - ***Private Public Partnerships (PPP)***
  - Funding mechanisms under the Local Government Act

- Key projects planned by State Government:
  - Royal Adelaide Hospital ($1.7 billion)
  - $2 billion in transport infrastructure, including duplication of Southern Expressway ($445 million)
  - Adelaide Oval redevelopment ($190 million committed)

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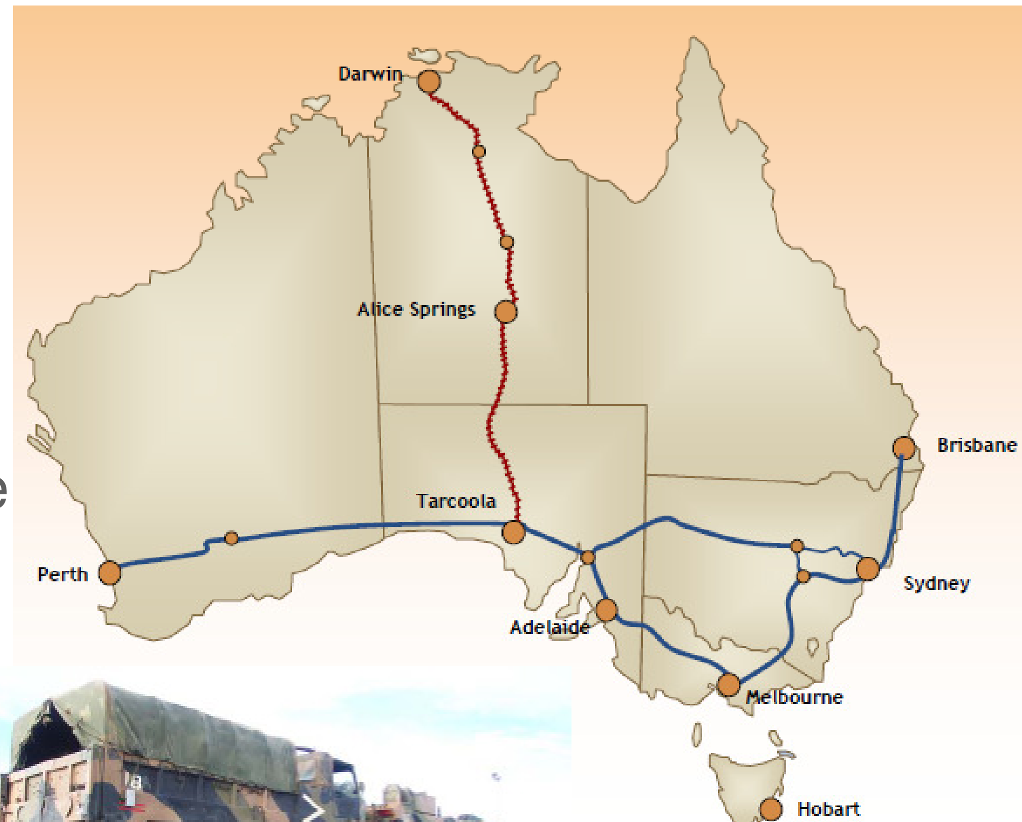
A connected Australia ...

- Greater focus on **freights and logistics**
  - ***Adelaide to Darwin railway***
  - Bisects mineral developing region
  - More of Darwin's freight is being sourced from Adelaide and Melbourne



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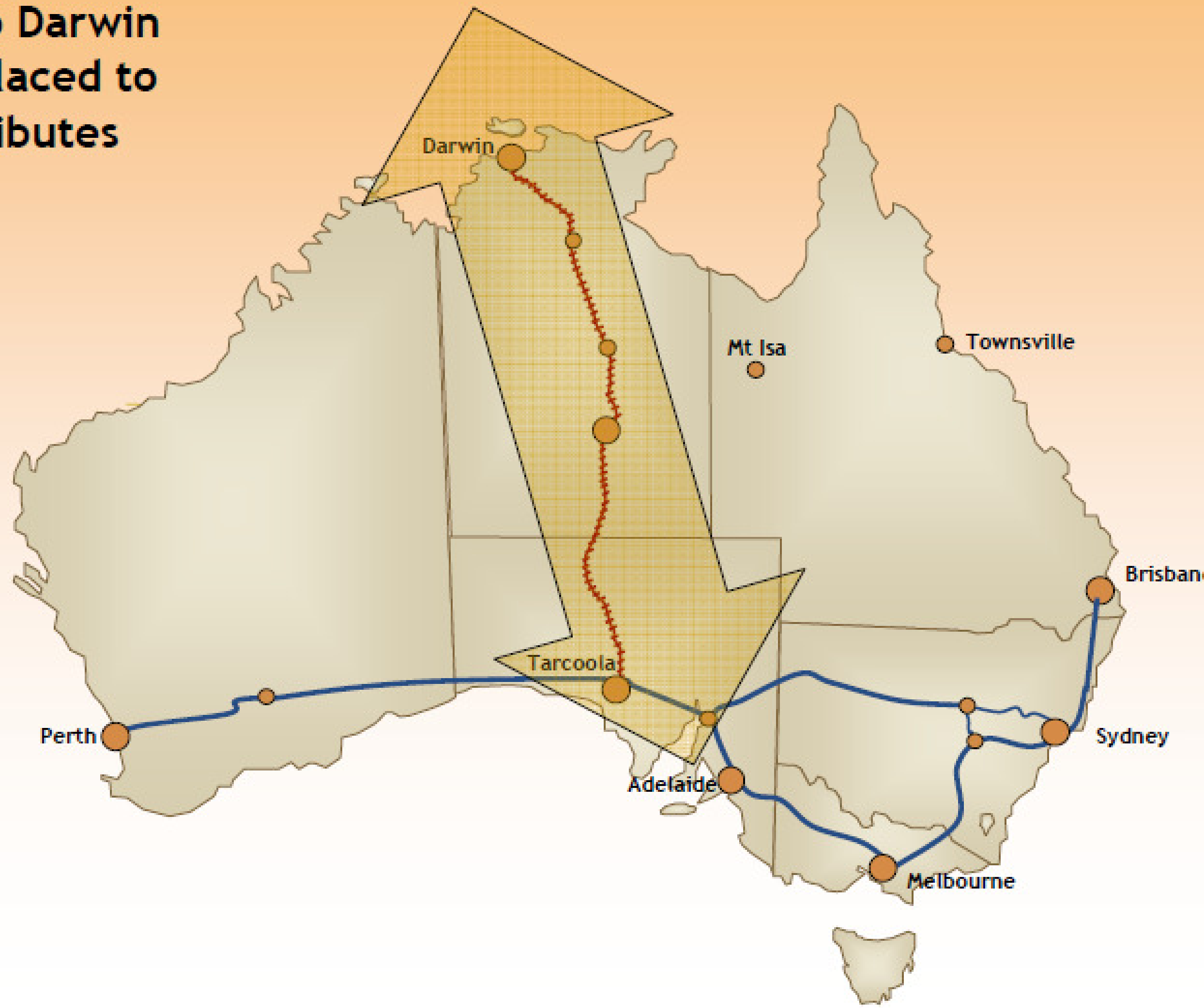
North –south connectors ...

South Australia has made a significant investment in the Adelaide to Darwin railway corridor and is well placed to take full advantage of its attributes

Exports
- Bulk minerals
- Mining consumables
- Processed and refined minerals
- Containerised freight

Imports
- Fuel products
- Mining consumables
- Containerised freight
- Project cargo



Source: Freightlink, SA Transport Infrastructure Summit 2008

SA & Adelaide to the world ...

+ Adelaide to Darwin rail corridor enhances engagement and connectivity to Asia

Major Markets:

- China / Hong Kong
- Singapore
- South Korea
- Japan
- Canada
- Indonesia
- France
- USA
- Kuwait

Future strategies …

- Greater focus on health and ageing
  - ‘Solving’ health & ageing using new forms of mutual support e.g. **clubs of the future**
  - Using mature age structure to ‘***learn***’
  - National Health and Hospitals Reform Commission (NHHRC) – <u>new model of primary care</u>

Future strategies …

- Considerable deregulation is needed
  - Recent land tax reforms - threshold is lifted from $110,000 to $300,000
  - Reduce **cost of living**
  - Create market for **medium density development**
  - Create market for new **mixed use development**
  - Underpin the **competitiveness** of SA – minerals and resources
  - ***Is there a better way to unlock SA's wealth?***

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Conclusion …

- To meet aggressive growth targets, more ***major projects*** are required
- Hard to imagine density targets being achieved (and employment)
- Eastern Seaboard doesn't know much about SA
- **The 30-year plan for Adelaide needs credibility**

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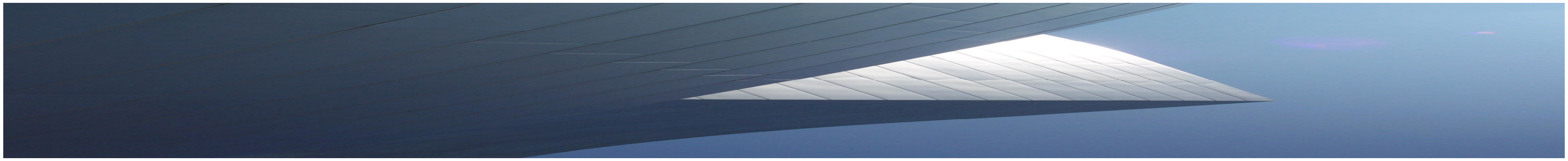

Contact MacroPlan Australia

SYDNEY

Suite 1.02, Level 1
34 Hunter Street
Sydney NSW 2000
t. 61 2 9221 5211
f. 61 2 9221 1284

MELBOURNE

Level 4,
356 Collins Street,
Melbourne, Vic.
3000
t. 03 9600 0500
f. 03 9663 2896

BRISBANE

Suite 5 Level 2,
320 Adelaide Street,
Brisbane, Qld. 4000
t. 07 3010 9240
f. 07 3010 9640

PERTH

Ground Floor
12 St Georges Terrace
Perth WA 6000
t .08 9225 7200
f. 08 9225 7299

e. info@macroplan.com.au
w. www.macroplan.com.au