

property perspective



A Big Australia, A Sustainable Australia, Or Simply Buying Votes?

Amongst the dribble which has occupied this year's Federal Election campaign the topic of Australia's population has copped a lot of airplay. In the race to the poll booth, both 'The Hair' and 'Mister Rabbit' have retracted from being pro-'Big Australia' to a softer position of a 'Sustainable Australia'. Both candidates have said what they feel they need to say to buy votes but their comments lack substance and provide the country with absolutely no direction or leadership! Well, I have no interest in buying votes, but I do actively study population influences on a daily basis; so allow me to add some substance to the topic for you. After all, the words "property" and "population" go hand-in-hand!

To open the batting on this topic I want to start by saying that population growth is an opportunity not a problem! The role of any government is to be active in developing and improving the nation; it's not dissimilar to the role of directors of a business. The best businesses look at ways to increase revenue, gain extra market share, develop new product lines, be leaders in new technology, improve efficiencies in operations, reduce waste, and create a happy workplace. Governments have the same charter, but only the best actually deliver the results.

'The Hair' says Australia needs to "take a breath". That comment reeks of complacency and a total lack of invention. Australia already has one of the best economies in the world. We have the potential to be an international powerhouse, a nation renowned for innovation, one with well-planned infrastructure, world-leading social services, and an even better quality of life. **To reach our potential, Australia needs to raise the bar, further improve its economic position, generate increased government revenue and improve our facilities. This requires two things – a growing population and strong leadership!**

As for 'Mister Rabbit', he says he's going to slash immigration by 100,000 per year. There can be no logical reason to support this policy other than thinking it might buy extra votes. Insane! Multiculturalism has been a cornerstone to Australia's success over recent decades. It is who we are – 24% of our population were born overseas and an additional 16% had at least one parent born overseas. As a result of Australia opening the (immigration) doors following WWII some 60 years ago, we have grown from having modest services and a small economy to becoming a modern society and world-leader on many fronts. The diversity of views and skills from so many different cultures is largely responsible for this. Why on earth would we contemplate reducing immigration? In the overall scheme of a total population of 22m and a country with such a large land mass, 100,000 people is not a drop in the ocean. We don't need to reduce immigration – we need to define our policy with specific targets for who we let in. Test people for their work ethic and ambition. Target people with skills which will help the nation prosper (engineers, doctors, blue-collar tradespeople, manufacturers, IT specialists); skills which will help to build on our economy, build businesses, and create additional employment opportunities.

KEY POINTS

- Over the last 60 years, Australia's population has grown from 9m to 22m at a rate of 1.5% per annum
- UK's population is 62M
- Australia has a land mass of 7,617,930 km² compared to UK of only 243,610,km²
- ABS projects our population to be around 33m by 2050; a reduced growth rate of 1%
- As a nation, we have been growing in numbers by 250k-300k extra people per year
- Components of population growth are births (about 250k pa), deaths (about 130k pa), immigration (about 460k pa), and emigration (about 320k pa)

Where Has This Come From?

In my 40 years on this earth I can't recall ever before seeing such a fuss made over Australia's population. Why now? A couple of years ago a routine ABS report projected that our population would increase from 22 million to 33 million by 2050. These reports are released every year and no one utters a word. This time someone expressed concern that 33M sounds like too big a number. I wonder what people might have said 50 years ago when our population was only 9M? History tells us that Australia's services, economy and quality of life is far superior in 2010 than what it was back then. I also like to believe that they'll be better still in the future, partly because of population growth, but on the proviso that we have proactive government intervention.

The thing is population growth to 33M by 2050 equates to a projected rate of 1% per annum. Over the last 60 years population has grown at a rate of 1.5% per annum. It is inevitable that our population will grow – people breed and modern science enables us to live longer – but the projection for growth is actually a smaller rate than we've had previously and prospered from. Oh, 'The Hair' and 'Mister Rabbit' must have overlooked that information!

When the projection was released, the initial response from Labour was "...bring on a Big Australia". The coalition similarly agreed. Economists and business leaders confirm that population growth is a no-brainer - "populate or perish"! As some of these big numbers started to be discussed amongst the general public some people didn't like the sound of them (refer Western Sydney). Then, as the country began to gear up towards a federal election, K-Rudd (replaced by 'The Hair') and 'Mister Rabbit' thought it safer to be less bullish on this topic in order to win votes. The fact is, even they can't be so stupid to actually believe that growth is bad. But hey, who cares, as long as they can win an election, right? This attitude is just insane!

KEY POINTS

- Our demand for labour has been increasing at a rate of 2.5% pa, population has only been growing at 1.5% pa, so a serious labour shortage is a possibility
- 4.5 million baby-boomers will exit the workforce over the next 15 years
- 70% of Australia's total tax revenue comes from income tax (source: ABS)
- More people equals more government revenue, better services for Australians, and a stronger economy
- 75% of Australia's population is crammed in to a miserly 17 cities
- Australia's average household size is declining (currently 2.6 people per household)

There Is More To This Country Than Sydney

"A bigger Australia means increased traffic congestion, less job opportunities, and extra pressure on our already struggling health system." These are not my words but they do reflect the views of 'The Hair'. So, does she have a point? If you live in Western Sydney the answer is "yes". Sydney has its attractions but its infrastructure, especially its road system, is bugged! In preparation for playing host to millions of extra people for the 2000 Olympic Games they threw in extra roads, tunnels, and stadiums wherever they could. It was the worst example of town planning in Australia's history.

Sydney is boxed in by the Blue Mountains and the Harbour; it can't expand so they've had to build up. When you combine such high density living with terrible planning you end up with serious traffic issues, and they'll never be fixed!

Sydney has a population of 4.5M. Yep, 20% of the world's 6th largest continent is crammed in to one city! And, half of Sydney's population (or 10% of the nation) occupies Western Sydney. Residents here have had traffic congestion up to their back teeth. Now, which region holds the biggest swing of voters for the federal election – I'll give you one guess!



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Is it right for a government to forego the abundance of opportunities available to an entire nation all in the name of winning an election? Sydney does have problems, serious ones. Melbourne and Brisbane have learned from Sydney's mistakes but they still need to plan carefully. As for the rest of Australia, the place is empty; there is plenty of room for growth!

Few Australia's will realise that **75% of Australia's total population is contained within 17 cities** (refer right). Amazing! That's the opportunity. There are countless numbers of towns and cities outside of our capitals which already have established economies, infrastructure, and plenty of room for growth.

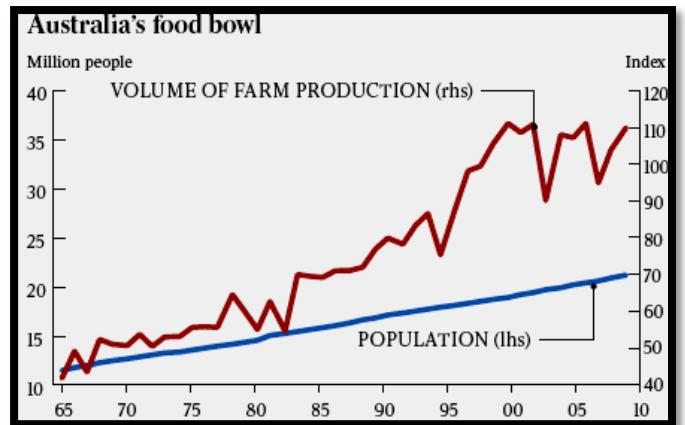
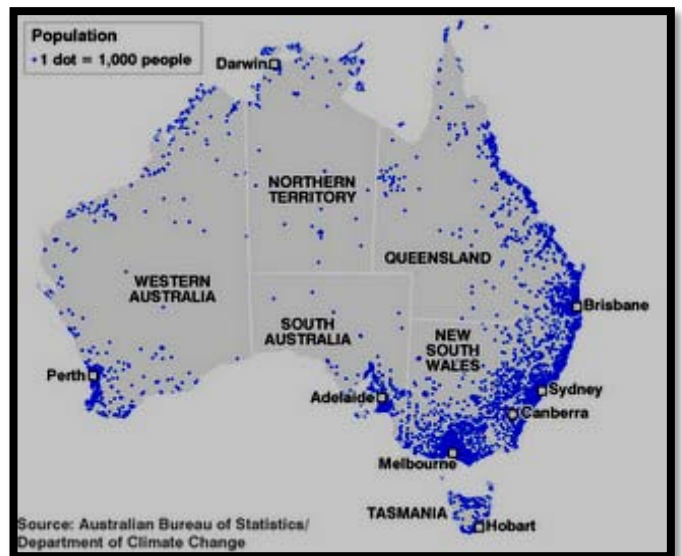
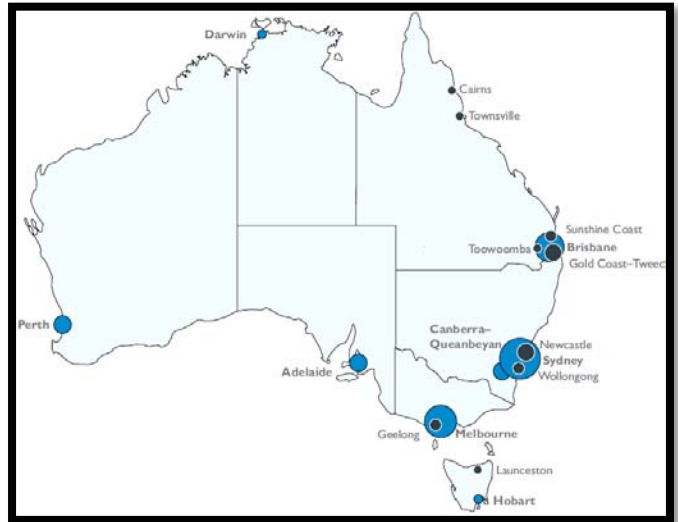
Then there's the ongoing quibble about housing affordability. Psst, I'll let you in on a secret – properties are quite a bit cheaper outside of capital cities – but don't tell 'The Hair' or 'Mr Rabbit'.

Putting Things In Perspective

Dick Smith recently released a documentary called "The Population Puzzle". It's hard not to admire Dick and I congratulate him on his role in having this topic taken more seriously. However, I don't agree with Dick on everything. He thinks that Australia has become overcrowded. This comment simply can't be substantiated. His 'overcrowded' comment was made with some footage of Sydney's busy streets. What about the rest of the country, Dick? What about the rest of the developed world – how do they cope? I promised that I'd add "substance" to this topic so here's some more facts. On a population : land mass basis, **Australia has 3 people / kilometre. The UK, a more advanced country which so many Aussies have a close connection with, has a population of 62 million and 250 people / kilometre.** Can you see what I mean yet?

We are by no means full; just look at the blue dots on the next illustration. Or, take a drive up and down the east coast like I did on a recent family holiday. Or, look inland. Space everywhere!

Dick is also concerned that we'll run out food. Again, where is the evidence? Over the decades, Australia's agriculture production has consistently outpaced our population. Between 1965 and 2008 our population grew by 85% and farm production grew by 160%. We have some of the most fertile soil in the world and most certainly no shortage of space.



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Populate Or Perish!

Over the next 10-15 years, 4.5 million Australians will enter the retirement phase of their life (these are the baby-boomers who were conceived following WWII as part of a strategic push by the then Federal Government to increase population to protect against military invasion). The baby-boomers make up a large part of our workforce. Should they realize their dreams and retire en masse we end up with a serious labour shortage. In addition, because so many of them have had their superannuation depleted by the GFC, there will be greater reliance on pensions, which are funded from tax revenues.

Australia's ability to fund pensions (and social services) will become under increasing pressure because a staggering 70% of total government revenue is generated from income taxes. Hence the statement, "a bigger Australia means a bigger economy". **So, either the government cuts pensions, health care, and whatever else it likes or the remaining workforce pays more tax. Either way, they are unattractive. So, populate or perish!**

There's more to the story. Recent mining exploration has resulted in the discovery of some major reserves of natural resources, especially in Qld and WA. These discoveries place Australia on the verge of a major resources boom which has the potential to make this country extremely wealthy. One of the biggest risks facing the resources boom is already a shortage of skilled labour. As our economy improves generally post-GFC further pressure will be placed on our labour force. Demand for our labour has been increasing by about 2.5% per annum yet our population has only been growing at about 1.5%. Our unemployment rate is low. If immigration fails to keep pace with labour demands we will face a severe labour shortage. **This will cause substantial wage increases, massive pressure on inflation, and then increased interest rates.**

Tough Decisions, Not Buying Votes

Governments need to embrace population growth. Invest in infrastructure such as hospitals, roads, ports and water supply. Support industry and small business – they provide jobs. Use innovation to make it attractive for people to reside in locations other than capital cities.

It is largely irrelevant what population target we set. Instead of 36m why not "50m by 2050"? As illustrated previously, we have plenty of room and a bigger population provides for greater economic opportunities for us all. Regardless, what is most important is that we respond to the challenge, have strong leadership, and use initiative. We need to distribute our population better and develop facilities and employment opportunities in regions to create vibrant communities. A lot more than 17 major cities and regions build on their strengths to "specialise" in things such as manufacturing, tourism, resources, agriculture, and so on.

The whole package needs to exist in each region. We can't force people to relocate. We can place conditions on where new immigrants settle and what skills they bring. **It's not enough to simply build extra houses in an area and regard that as a population solution;** this is what is currently occurring in Brisbane's western corridor / Ipswich. Employment opportunities, schools, hospitals, shops and efficient transport all combine to make vibrant communities. **Without 'the package', the incentive isn't there for people to live there so they'll look elsewhere – capital cities – and we'll continue to create problems like Sydney.** If our government is serious about "Moving Forward" they should embrace opportunity!

PROPOSED SOLUTIONS

- Government intervention is needed to create employment opportunities in regions (not capital cities)
- Distribute our population across the country
- Invest in infrastructure (roads, hospitals, ports and water supply)
- Immigration should be encouraged, not capped. But our policy needs to be targeted
- Create a Population Council which operates independent to governments



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Population Council of Australia

A final recommendation of mine - I believe that the Federal Government's recently formed department, Infrastructure Australia, and the position of Minister for Population should be replaced by a more powerful and completely independent Council. We just can't rely on governments to perform such an important task well! Australia already has the Reserve Bank and Treasury as important boards. They both play a specialist role and run independent to government.

Australia should develop a list of principles, core values, and objectives for the Population Council to adopt as points of reference. The Council should then provide direction on population growth with a national focus. The charter of this Council should be to take control of matters directly related to planning for (inevitable) population growth. Examples of core responsibilities should include:

- Developing a structured plan for decentralising our population such that, as the nation grows, our population is more responsibly distributed. The Council should work directly with state governments to develop and foster economic opportunities in regions (not capital cities) and infrastructure so that facilities and employment opportunities encourage population growth in areas outside of our capital cities;
- A percentage of federal tax revenue should be set aside each year for the Council who then prioritise funding for national infrastructure projects such as highways, hospitals, and ports. State governments need to demonstrate a plan for growth and all requests for federal infrastructure funding need to fit within their broader plan and be submitted to the Council, with feasibility studies, for approval and prioritising. Governments can't see past their own political agenda so place these important decisions in the hands of an independent Council;
- New land release needs to be taken away from governments and controlled by this Council;
- Planning and control of the Nation's prime social services such as water supply, power supply, forestry preservation, and agricultural requirements;
- The setting of annual immigration targets should be the responsibility of the Council. With the Nation's broader interests at heart (not political agendas), the Council should determine how many immigrants we let in each year and what acceptance criteria (skills etc) people need to meet.

Property Is All About People

My clients hear me say this all the time: ***"...property is all about people – where they live, why they live there, how many live there, how they get there..."***. Any mention of the word "population" and my radar is on full alert. So, yes, I'm pretty passionate about this whole population growth topic.

As for our friends 'The Hair' and 'Mister Rabbit', I am unimpressed. The role of government is surely to listen, to lead, to innovate, to make tough decisions, and to create. It's not supposed to be easy. But, making decisions and setting policies all in the name of the polls is pathetic!

This is Australia - the "Lucky Country" – not Bangladesh. We have so much to work with. Give me a leader who has grunt, who inspires, and who can set this great nation on the path to becoming the powerhouse it can be!



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