System and Strategy: Recent Trends in Governance and Planning Systems in Australia

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Abstract: Most Australian state governments are embarking on a second stage of neo-liberal planning system change. Extensive deregulation of state planning systems has occurred over the last 17 years. Much of the first stage of neo-liberal change concentrated on reducing the number of prohibited uses in planning instruments and increasing the number of uses subject to permit. This often resulted in increased complexity, cost and size of planning instruments, and increased contestability. Development and community groups have expressed frustration at these results in some states. Second stage changes now emphasise the importance of reducing the number of uses and developments requiring permits, allowing these ‘as-of-right’, and reducing the differences between zone types. This approach is strongly influenced by the Development Assessment Forum Leading Practice Model endorsed by State and Territory planning ministers in 2005, now being progressively implemented, and by other national and state bodies such as the Productivity Commission. This model emphasises the use of state standardised planning provisions, certification of compliance according to codes, reducing or eliminating third-party rights and the exclusion of elected officials through the professional determination of applications. This paper analyses these trends in planning governance concentrating on planning systems in Queensland, New South Wales and Victoria. It relates the development of neo-liberal planning systems to weak metropolitan planning strategies and the trend to the politicisation of planning in Australia. It then applies this analysis to an assessment of the implications in Melbourne for development location, scale and type for retail and housing markets.

Introduction: Centralisation and local control

Land use planning systems guide and control decisions on land uses and developments, and are an important factor helping determine the way cities function. They express values and ideologies held by governments and interest groups about the proper role of government. In Australia, planning systems have fluctuated between degrees of centralised state government control or delegated local council control, and between regulated or more liberalised governance arrangements. Over the past twenty years, Australian states have introduced increasingly centralised planning systems, often in an attempt to deregulate, paradoxically strengthening their own roles by legislating to reduce regulation, and by intervening to approve development under liberalised systems. Planning policy has been designed to facilitate and enable development to take place in a location and form proposed by the private sector, rather than to direct development to conform to government generated plans. This combination of centralisation and economic liberalism has been labelled ‘authoritarian decentralisation’ (Thornley 1993) and the shift in the role of government as moving from that of a ‘provider’ to a ‘strategic enabler’ (Stoker and Young 1993).

The corporatisation of the public sector has occurred as an essential companion to the deregulation of planning systems. Some state governments have restructured and privatised many functions of local government, and altered the role of elected representatives, at the same time as liberalising their planning systems. Fundamental changes are occurring in some states to the role and function of the public sector, including public service departments and remaining instrumentalities, through radical empowerment of the private sector and reduction in directive public policy. Gleeson and Low (2000) describe the main three elements of public sector corporatisation as: the state acting as a corporation with the Premier acting as chairman of the board; removing the state and creating markets for service delivery; and selected enhanced entrepreneurialism. Applied to local councils in many states, this model has led to the removal of councillor participation in most planning decisions through delegation to officials, and a large increase in the number of decisions made by planning ministers. In effect, state governments have insisted that local councils adopt the model of a corporate board while increasing their own involvement in day-to-day decisions.
Only governments can plan and direct private sector behaviour to affect the spatial and built form and functioning of cities in pursuit of a conceptualisation of the public good. As Sager (2011: 3) has noted, “much of urban public planning is seen as distortion of market mechanisms, and thus as a threat to private motivation and efficient allocation of resources”. All Australian state governments have adopted metropolitan strategies purporting to direct the form and functioning of Australian capital cities. These strategy documents are based on generally similar principles. Each plan seeks to achieve an alternative future to the ‘path dependent’ futures which, under statutory systems, are based on the continuation of current trends. The infill target for Sydney is 60 – 70 % (New South Wales Department of Planning 2005). *Melbourne 2030 – Planning for sustainable growth*, sought to concentrate almost 70% of planned new dwellings by 2030 within existing urban areas (DOI 2002). The Queensland government’s *South East Queensland Regional Plan* seeks to accommodate 40-50% of the planned 575,000 new dwellings by 2026 through infill (Queensland Government 2005). The Western Australian *Network city* strategy aims to locate 60% of the planned 370,000 new dwellings by 2031 within existing urban areas (Department of Planning and Infrastructure 2004). The intervention intended by governments to achieve alternative futures can be illustrated by *Melbourne 2030*. This plan sought to increase the proportion of dwellings in over 100 mixed use activity centres from 24 to 41% of new development, and to redirect almost half the business-as-usual growth from the fringe. It has, however, now been abandoned by the Coalition government elected in 2010 and a new strategy is not expected until late-2013.

Most of these strategies have been modified and few have successfully directed city growth towards one or more major urban development options. Since the early 1990s, most Australian states have radically changed the type and function of planning systems so that these now act as substitutes for strategy. Australian state governments recently have eschewed strong and effective policy as both a framework to statutory decision making and to determine the future shape and operation of Australian cities. Regulatory policy is inconsistent with a neoliberal system in that it implies a strong directing role for government. A necessary consequence of neoliberal planning systems is an absence of effective planning policy. Policy is the generic application of rules to particular instances aimed at achieving consistency over long time frames, and is thus forward looking towards defined ends. In contrast, enabling statutory processes promote ad-hoc, incremental development and reinforce consideration of applications on a case-by-case basis, with merits re-argued even where similar circumstances apply. Such processes have no defined ends and are essentially anarchic. Governments which reduce the role of government, facilitate private sector decision making and entrench powerful corporate interests have no need for strong policy and substitute individual decision making for an effective policy process. Statutory planning systems which liberalise planning rules then become de facto metropolitan strategic documents, contradict or act as substitutes for policy and pre-empt the policy process. In this way, they present alternative systems which reduce metropolitan strategies to the status of token policy directions. As Maginn et.al. (2013) put it: Australian planning policies generally involve strategic visioning without effective means of implementation, while incremental changes to statutory planning systems reduce, even dismantle, the regulatory tools necessary to implement strategy. This leads to a disconnection between planning strategies which presume a strong role for government, and systems designed to reduce the role of government. Searle (2013) has shown a similar disconnect between strategy and non-statutory implementation but points also to governments using a range of other special statutory and other planning tools to promote development and achieve some strategic goals.

**State Systems**

The widespread extension of state imposed deregulation has sought to fundamentally change planning systems through the replacement of regulated planning systems with neoliberal ones. A remarkable consistency exists between Australian state neoliberal planning systems, including an exclusion of broader social and environmental agendas, a narrow, short term approach to decision making, and the legislated transfer of power and control to the private sector. Local communities and local government have been relatively disempowered, acting as implementers of centrally imposed state processes.

States are progressively introducing into planning systems the Leading Practice model developed by the Development Assessment Forum (DAF) comprising representatives of Commonwealth, state, territory and local governments, the development industry and professions, endorsed by Local government and
Planning Ministerial Council in 2005. This endorsement acknowledged the DAF model as “an important reference for individual jurisdictions in advancing reform of development assessment” (Ministerial Council: 1). In 2006, the Council of Australian Governments (COAG) identified regulatory duplication and inconsistency in development assessment as one of six priority cross-jurisdictional impediments to economic activity (COAG 2006). COAG agreed to support “more streamlined development assessment processes through, for example, increasing use of complying development” (COAG 2008: 4). New state and territory planning systems share a number of common features derived from DAF. They are, principally, the imposition of standardised planning provisions onto local council planning schemes; reducing or eliminating third party rights, prohibited uses and the need for permits through the use of self assessment or codes to process applications and planning scheme amendments; and exclusion of elected local councilors from decision making through the mandated use of delegated local officials and the creation of separate authorities to undertake development assessment and assess compliance. Planning ministers have also been influenced by national competition policy, by the Productivity Commission (2011) report into business regulation, planning, zoning and development assessments and other reports such as the Victorian Efficiency and Competition Commission inquiry into the Victorian Regulatory Framework (2011) which have advocated land use deregulation.

Commonwealth and state governments, peak developer and property bodies, and development companies have asserted that planning systems needed reform because they were inefficient, costly, complicated and lead to unnecessary delays in planning approvals. The Property industry has engaged in a consistent attempt to convince governments and communities that claimed land shortages have led to increases in the cost of land for housing. Such views were reinforced by the Productivity Commission (2011: iv) in its performance benchmarking ‘on the operations of the States and Territories planning and zoning systems, particularly as they impact on business compliance costs, competition, the overall efficiency and effectiveness of the functioning of cities.’ Long term lobbying by the development industry has been supported for decades by other reports by bodies established by government. For example, the Industry Commission (1995) estimated a potential savings of $1 billion annually from improvements to planning and building regulations. The National Housing Supply Council’s first report, the State of Supply 2008 (NHSC, 2009) concluded that a deficit of 85,000 dwellings existed in Australia adding to the perception of crisis and rising prices caused by an alleged national housing shortage. This report was criticised widely. Keen and Sayce (2011) argued that claims of a housing supply shortage of over 200,000 dwellings were incorrect because two thirds of the figure was based on a methodology which counted large numbers of people who did not possess the financial resources to enter the property market. Soos (2012:1) argued that the alleged shortage was “complete fiction”. Morgan Stanley estimated that an alleged 228,000 dwelling undersupply by 2011 had become an oversupply of 341,000 dwellings (cited in Hurley, 2012). The NHSC is a body “stacked with industry and former government professionals” (Soos, 2012:2). Yet these industry attempts continue to bear a golden harvest. For example, the 2011 State of Australian Cities report (Department of Infrastructure and Transport, 2011a: 152) states:

“The National Housing Supply Council (NHSC) 2010 State of Supply report concluded that there is a substantial and growing undersupply of housing in Australia….The NHSC identified that the net dwelling supply gap increased from 23,000 dwellings in 2002 to 178,400 dwellings in 2009”

The State of Australian Cities report identifies the main causes of house price increases as construction costs, infrastructure costs and government charges, not land price. A range of factors have caused dwelling construction rates to fall in recent years, particularly in outer urban suburbs, at the same time as most states have substantially increased the designation of future urban land on the edge of cities. Despite this criticism the NHSC in its later reports resorted to the concept of “underlying demand” and increased its estimate of housing shortage to 185,000 in 2011 (NHSC, 2012).


**Table 1: Primary State/Territory planning legislation and supporting regulations**

<table>
<thead>
<tr>
<th>State or Territory</th>
<th>Primary Planning Legislation</th>
<th>Supporting Planning Regulations</th>
<th>Lead Planning Agencies</th>
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<tbody>
<tr>
<td>New South Wales</td>
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<td>Environmental Planning and Assessment Regulation 2000</td>
<td>Department of Planning and Infrastructure</td>
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<td>Department of Planning and Community Development</td>
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<td>Queensland</td>
<td>Sustainable Planning Act 2009</td>
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<td>Western Australia</td>
<td>Planning and Development Act 2005</td>
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<td>South Australia</td>
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<td>Department of Planning and Local Government</td>
</tr>
<tr>
<td>Tasmania</td>
<td>Land Use Planning and Approvals Act 1993</td>
<td>Land Use Planning and Approvals Regulations 2004</td>
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<td>Australian Capital</td>
<td>Planning and Development Act 2007</td>
<td>Planning and Development Regulation 2008</td>
<td>ACT Planning and Land Authority</td>
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<td>Territory</td>
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<td>Australian Capital Territory (Planning and Land Management) Regulations 1989</td>
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<td>Planning Regulations 2009</td>
<td>Department of Lands and Planning</td>
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Source: Buxton, Goodman and March (2013)

**Neoliberalism Mark I**

The Victorian Kennett Government initiated the first stage of Australian deregulated planning systems when it amended the *Planning and Environment Act* in 1996 to create a set of standardised planning provisions applied to all state planning schemes. These new provisions, the Victoria Planning Provisions (VPP), fundamentally altered the structure of state planning schemes. Standardised zone provisions replaced all local zones. Planning schemes comprised state policies, new zones, and a range of standard but optional particular provisions, overlays, and general administrative provisions. Local flexibility was only possible through the content of local policies, so long as this content did not conflict with standardised provisions; through the selection of the most appropriate zones and other provisions and their application to land; and through the incorporation of additional documents.

This kind of deregulated system increased discretion over permit issuing and introduced complex layered controls. By 2010, there was almost unanimous agreement that the Kennett government’s planning system had proved to be counterproductive, causing inefficiency, higher costs, delays, uncertainty and complexity. In 2012, the Victorian government established a Planning System Ministerial Advisory Committee (MAC) to report into the planning system. Its report points to a range of problems, stating that the VPP did not ‘fulfil its intended purpose in an efficient and effective manner’ and that ‘the system favours flexibility and performance-based controls too heavily to the detriment of certainty’ (Ministerial Advisory Committee, 2011: 109).
The Kennett government’s new format planning schemes, based on the VPP, did not reduce the number of zones or simplify zone types or content. Planning schemes became far larger and more complex than those they replaced. The Planning System Ministerial Advisory Committee showed that 1,579 zone schedules and 2,161 overlay schedules existed, the average size of planning schemes had risen to 730 pages, and about 400 planning scheme amendments a year occurred (Ministerial Advisory Committee, 2011). The VPP system demonstrated early its failure to meet the objectives of introducing a more efficient, small, less costly planning system. By 2002, average planning scheme size had risen by over four times from 127 pages pre-1992, and average application numbers by 52 per cent to over 60,000 per year. The cost of planning rose dramatically - average planning staff positions in councils more than doubled and planning appeals rose by over 30 per cent. Average annual staff turnover increased substantially, over 5 times in metropolitan councils. Despite all the additional cost, application processing times rose substantially. By 2002, twice as many amendments were being approved as under the pre-1992 regulatory schemes (Buxton, Goodman and Budge, 2005).

The Productivity Commission (2011) has reinforced these findings, showing that permit processing times in Victoria have far exceeded those of any other jurisdiction. In noting that the Victorian result was ‘surprising’, the commission failed to note the system wide inefficiencies from the 1996 deregulation. Queensland, which also has deregulated its planning system recorded the second highest approval time.

Neoliberalism Mark II

The second stage of deregulation is taking a different approach, drawing on the DAF model. It reduced both permit discretion and prohibitions by increasing the number of uses and developments which do not require planning approval. Applications are either assessed against codes or broad guidelines. Third party notification and the rights of objection and appeal are reduced or eliminated. However, as the performance of the Queensland system demonstrates, this second round of deregulation is unlikely to improve system performance. Controversy is growing in many Australian states over this second stage implementation of deregulated planning systems, in particular in Queensland, New South Wales, South Australia and Victoria.

Queensland

The Queensland government has introduced the most radical neo-liberal model of system change through the Sustainable Planning Act 2009, incorporating the provisions of the Building and Integrated Planning Amendment Act 1997. Local planning schemes remain the principal form of development control, and these are prepared and administered by local government. But the Queensland government has changed planning and development assessment from traditional regulatory schemes using provisions which govern schemes through a standard format and structure, including standard zones. The Integrated Development Assessment System has four stages dealing with applications: information, referral, notification, and decision. Development is either exempt, self-assessable, assessable, subject to compliance assessment or prohibited. Some changes of land uses are now exempt. Self-assessable development must comply with codes and if assessable, development may be subject to code or impact assessment. The type and number of assessable developments requiring permits have been reduced and are now compliance assessed under a standard code. Some prohibitions have been introduced whereas the 1997 Act provided that a planning scheme may not prohibit development or the use of premises. Ministerial powers have been expanded.

The new Liberal-National government, elected in 2012, has initiated further deregulatory measures including fast tracking of major projects and a reduction of assessment requirements and approval processes. These measures were implemented by the Sustainable Planning and Other Legislation Amendment Act 2012. This established a State Assessment and Referral Agency (SARA) which is a state-wide central point for development applications, The Queensland Government claims that SARA will ‘contribute to the government's key priority to create the most efficient and effective planning and development assessment system in Australia’ (Queensland Government 2013: 1). Assessment under SARA is only applied when the state has jurisdiction over an aspect of the development application. Another measure taken by the Liberal-National Government was the replacement of the Urban Land
Development Authority in February 2013 by Economic Development Queensland (EDQ). All development applications for Priority Development Areas (formerly known as Urban Development Areas) will now be assessed by EDQ, while development assessment functions for the four declared areas within the Brisbane City Council (BCC) area have now been returned to the BCC (Queensland Government 2012).

**New South Wales**

Over the past 15 years, New South Wales governments have adopted many of the elements of other neoliberal state planning systems through amendments to the *Environmental Planning and Assessment Act 1979*. These include a standard template for Local Environment Plans (LEPs), standard zones, streamlined LEP procedures, the use of standard codes for complying and exempt residential and commercial development, consolidated planning controls into one plan for development assessment, increased ministerial power over planning approvals and the centralisation of procedures for the assessment of major projects. The Labor government attempted to reduce the time taken for planning assessments in 2008 and increased ministerial power to approve matters of state significance. The incoming Liberal-National government released a Green Paper on 14 July 2012 “A New Planning System for New South Wales”, and a White Paper of the same name in April 2013 along with draft legislation, recommending a review of the planning system (New South Wales Government 2012, 2013). The papers expand the scope of code complying development to include proposed new industrial buildings, extensions to commercial buildings and a range of multi-unit and other residential developments. As with all code complying approvals, third party notification, rights of objection and appeal are removed. Broad Enterprise Zones will be established with limited planning controls and reduced environmental planning policies and heritage protection. One stated aim of the reform is that ‘80 per cent of all developments will be complying or code assessed within the next five years, with reduced time frames and documentation requirements’, (New South Wales Government 2013: 8).

**South Australia & Western Australia**

Further significant system changes have been adopted in South Australia and Western Australia. The Western Australian Planning Commission released “A blueprint for planning reform” in 2009 which introduced Development Assessment Panels, established regional planning committees, reviewed the powers of the planning commission and further liberalised assessment procedures from those adopted during standardised processes put in place between 2005 and 2008. The development assessment panels are designed to provide ‘transparency, consistency and reliability in decision-making on complex development applications’ (Western Australian Planning Commission 2011). In South Australia, five new zone ‘modules’ have been introduced to ‘encourage the growth of new neighbourhoods, targeted infill development around corridors and public transport stops, and mixed use development’ (Department of Planning and Local Government 2011a:2). The zoning reform in South Australia is intended to introduce ‘positive and enabling zoning policies that deliver permissibility’ (Department of Planning and Local Government 2011b: 2).

**Victoria**

Victoria is revising its planning system to further reduce prohibited and permitted uses, introduce a system of approvals governed by administrative criteria and to reduce third party rights of notification, objection and appeal. In 2010, a bill proposing to amend the *Planning and Environment Act* containing many of these proposed changes was introduced to parliament but did not proceed. The Bracks Labor government introduced a series of piecemeal statutory changes to streamline planning assessments with no policy context. Priority Development Panels (PDPs) assumed control over large rezoning applications in place of local councils. PDPs considered development applications for rezoning on matters of state or regional significance, major activity centres or key sites. Development Assessment Committees (DACs) were intended to fast track planning permit applications in 20 principal activity centres, 6 central activity districts, the CBD and central Geelong. The DACs process was never adopted. In February 2013, the Baillieu government in its *Planning and Environmental Amendment (General) Act* replaced the DACs with PACS (Planning Application Committees) which may be established to work with a council or group of
councils on complex planning matters. The Act also introduced more liberal planning rules, such as allowing councils to amend a permit granted by the appeals body Victorian Civil and Administrative Appeals Tribunal (VCAT) and to extend a permit; making it easier to commence an amendment process and remove a section 173 (contractual) agreement; and lessening the powers of referral authorities.

The Victorian government began the process of developing a new planning system, including new zones, in 2011, establishing the Victorian Planning System Ministerial Advisory Committee. The committee consulted widely receiving 447 written submissions including 66 of the 79 Victorian councils. In response, the committee produced a cautious report specifically addressed to the DAF principles, among other sources. On the enabling system introduced by Kennett-Maclellan in 1996, the committee considered that “the current balance in the system favours flexibility and performance-based controls too heavily, to the detriment of certainty (Ministerial Advisory Committee, 2011: 109). The report was no wholesale affirmation of the DAF system. On the adoption of ‘code-assessed’ and ‘merit assessed’ streams, it argued that third party involvement in the planning process was an important component of the planning system, recommending only an audit of planning schemes “via careful testing with councils and the community” to identify where permit triggers might be removed. It argued that processing time through notice of applications should not “be considered a symptom of malaise of the planning system”, and rejected self-assessment and a reduction in the power of local councils over planning scheme amendments (Ministerial Advisory Committee, 2011: 135). However, soon after releasing this report, the government released new draft zones prepared in secret in the planning minister’s office in a parallel process to the public process. These zones differed radically from the intent of the ministerial committee recommendations. The government established another ministerial committee to report on these zones after considering further public comment, reporting on the residential and commercial zones in December 2012. The government completed its adoption of new residential, commercial, industrial and rural zones in July 2013.

The draft zones provided an indication of the government’s intention on the future of the Victorian planning system (Department of Planning and Community Development 2013). The exhibited main residential zone, the General Residential zone, allowed Office, Food and Drink Premises and Shop without the need for a permit. The main rural zone in the metropolitan green belt removed all conditions on the use of land for large commercial function centre-restaurant-group housing-residential hotel complexes. Although these proposals to weaken current controls were abandoned, the final zones reduce the differences between different types of zones. A significant number of retail and other commercial uses are introduced into residential and rural (green belt) zones. The development oriented residential zone, the Residential Growth Zone, contains many similarities with the Mixed Use zone and the Commercial zones. Differences between commercial zones are reduced. The number of prohibited uses is reduced and almost eliminated in some zones, for example in the Mixed Use zone which contains only five prohibitions. This constitutes a fundamental reorienting of the original purpose of planning zones, that is, to differentiate between the application of land uses regarded as appropriate to land and in relation to each other. It also expresses a planning ideology that the allocation of land uses should be constrained as little as possible – that as many land uses as possible should be allowed in as many locations as possible. No strategic justification was provided for this new planning system. The Victorian government finalised the content of new zones well in advance of completion of work on a new metropolitan planning strategy. The strategy will follow, not lead, the zone provisions, with the real power placed in zones which deregulate, not in strategy which directs.

Implications for development assessment in Melbourne

The new Victorian zones are intended to fundamentally alter the process of development assessment in Victoria. The most regulatory residential zone, the Neighbourhood Residential Zone, contains a mandatory residential height control of eight metres and limitation of two dwellings per lot with potential for even further regulation. This zone is expected to be applied primarily to pre-1914 heritage housing and severely limit the potential for multi-unit housing there. Local schedules can limit the height of residential buildings but not dwelling numbers in other residential zones. New commercial zones do not limit height. High rise or medium rise development mainly in the inner and middle ring suburbs will continue under the commercial, Mixed Use and Residential Growth zones. Over 100 mostly residential towers have been
approved in recent years in the Melbourne CBD and inner suburbs (Adams, 2013) and a total of 285 apartment building projects are planned or under construction (Brown, 2013). The Capital City Zone is one of the world’s most deregulated zones. New commercial zones will facilitate the reconstruction of much of Melbourne’s heritage of Victorian shopping strips into medium rise mixed use development, a process which has already begun. Few cities are attracting this level of development activity. Commercial zones will also eliminate most local shopping from strip centres by allowing dispersed large retailing, much of it without the need for permits, turning traditional centres into locations for speciality shops, services such as personal and tourist facilities, cafes, restaurants and offices. Such dispersed retail facilitation destroys competition by advantaging big retailers on lower cost sites far from traditional commercial zones. Such provisions further illustrate how planning systems can act as a substitute for policy. There can be no hierarchical activity centres policy if commercial zones allow such extensive dispersed large retailing. The recent expansion of Melbourne’s urban growth boundary by 43,000 hectares at a time of unprecedented high land supply and falling demand for urban fringe housing makes a strategy which limits and redirects outer suburban growth impossible. New rural zones which re-designate much of Melbourne’s green belt into an unregulated land bank for commercial and industrial development, and other urban related uses, in effect remove strategic planning principles in place since 1971 aimed at protecting the metropolitan green belt for its agricultural and natural resource values.

Conclusions: Broader consequences for urban systems

Deregulated spatial planning policies are worsening urban problems, unable to anticipate or respond adequately to new and powerful pressures affecting the large Australian metropolitan areas. Two thirds of the Australian population is concentrated in the capital cities. Under the ‘big Australia’ scenario the country’s population will increase to 36 million people by 2050. Melbourne will grow by 50 per cent to 6.4 million people (Department of Infrastructure and Transport, 2011b). Without a fundamental reinvention of a planning and funding role for government, a city such as Melbourne will cease to function effectively with disastrous impacts for the economy of the state. Yet successive governments evade such planning, for example, by relying on privately funded major road projects instead of extensive new public transport infrastructure. This approach is ultimately counterproductive and doomed to failure.

Planning systems influence urban form differently and lead to varying social and housing impacts. In Australia, a limited number of development companies control most outer urban development (AEG, 2008). Their conservative practices lead to a preponderance of detached housing on relatively large lots with little variation in lot size or house type, reducing affordability for low income purchasers and requiring high household operating costs for energy and transport (AURDR, 1995). Land speculation has driven up the costs of delivering housing in both outer and established urban areas. The lack of height regulations for inner urban apartment blocks is bidding up the price of land and leading to high construction costs in inner areas of Australian cities, adding to housing costs, reducing the size of apartments and so further differentiating housing types and costs between inner and outer urban areas. In contrast, regulated systems can reduce social difference and increase housing affordability through such techniques as inclusionary zoning, mandated higher outer urban densities and varied lot and housing sizes and types. In such ways, spatial considerations are strongly related to urban social polarization and housing affordability.

De-regulated planning systems reinforce the serious disparities which urban land markets impose on the way Australian cities function. The operation of urban land markets has increased land and dwelling price beyond levels which might have been expected under stronger regulation. Inner and outer urban land markets differ, but land speculation, and developer control of land release and housing type, are influential factors on price, common to each type of market (Buxton and Taylor, 2011). A range of other public policy measures, such as taxation and incentive programs, have reinforced the disparities in wealth across different areas of cities (Colebatch, 2003). Australian cities are increasingly being characterised by two spatial and social city types as a result of the private sector determining the shape of cities, the type and scale of housing and other uses, the rate of development and ultimately the way cities function. Higher income, tertiary educated, professionally employed households are concentrated in service rich, higher density, inner and middle ring suburbs of Australian capital cities and selected outer urban areas,
while lower income households without tertiary qualifications are concentrated primarily in service poor, low density, new outer suburban areas (ABS 2008).

It is often proposed that the dominant urban form of Australian outer suburbs leads to other high social and other costs, such as transport costs, to residents. For example, concentrating lower income households into areas with reduced access to services and employment increases transport and energy costs, and social exclusion, and reduces housing affordability (Berry and Dalton 2004). Spatial characteristics reinforce social difference whenever deregulated statutory planning systems are left to determine urban form. Private sector control over Australian urban form and design has led to insufficient housing and lot diversity, an outer suburban built form of car dependent separated uses, an emphasis on low density detached housing on relatively large lots and an average house size which is the highest in the world. The lack of meaningful alternatives to standard housing and lot packages reduces housing diversity and significantly adds to building and operating costs for most new home buyers. The second phase of planning system neo-liberalisation identified in this paper will only serve to exacerbate growing social-spatial polarisation in Australian cities.

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