Creating a liveable city

How Perth can capitalise on the resources boom

Louise Staley
Creating a liveable city

Executive summary
This paper discusses five interlinked proposals that will enable Perth’s transformation to global knowledge hub, while continuing to offer an enviable lifestyle for all residents.

1. Free up the day to day controls and limitations on people’s lives; examples include deregulating shop trading hours, implementing the deregulation of liquor licensing, doubling the number of taxis.

2. Pay attention to implementing policies that deliver Perth’s much vaunted lifestyle to anyone who tries to make a go of it. Prioritise affordable housing through more land releases and greatly improved infill planning approvals.

3. Create multi-faceted links with China and India that go beyond supplying raw materials. Direct State Government resources towards increasing the number of overseas tertiary students from China and India by 50,000. Enact housing and social policies that encourage many of these students to settle permanently in Perth at the completion of their degrees.

4. Use the windfall taxes flowing to State and Local Governments from the mining boom to renew and upgrade infrastructure; get the macro projects and the micro renewal both right but be careful of wasting money on projects better delivered through commercial or philanthropic means, for example sports stadia and cultural centres.

5. Guard against squandering the dividends of the boom on trying to pick the next big thing. Of more importance is to build an environment where unexpected things can happen and this requires a broad ranging innovation friendly regulatory environment.

Project Western Australia

The need for a new approach
The need for a new approach to policy formulation in Western Australia is abundantly clear. If Western Australia is to fully profit from the opportunities presented by its natural wealth and the rise of the Asian economies, then a new attitude is needed.

Project Western Australia is a forward-looking joint program of the Mannkal Economic Education Foundation and the Institute of Public Affairs, Australia’s leading free market think tank. Project Western Australia is aimed at stimulating policy discussion and development.

The project
During 2007, research experts in each of these fields will conduct original and innovative policy research to provide a blueprint for forward-looking governments.

The challenges facing Western Australia are many. A few deserve to be highlighted. The first discussion paper ‘Moving in the Right Direction: Transport Reform in Western Australia’ looked at some key areas of transport policy and raised some potential reforms. (The paper is available at www.ipa.org.au.)

This paper looks specifically at Perth and the need for cultural and urban development to sustain the city’s prosperity after the mining boom.
Introduction—choice and lifestyle in Perth

The title of this paper begs an obvious question—surely Perth is already a ‘liveable city’? It’s friendly like a ‘big country town,’ and has a great ‘laid-back lifestyle.’ Not to mention the beaches, beautiful setting, and the Mediterranean climate. Little wonder many Perth residents regard it as the best city in the world. Yet the ‘dullsville’ tag is mentioned almost as often as the ‘laid-back lifestyle.’ Many people, both residents and visitors, have noticed Perth would benefit from being more vibrant, more diverse and with greater options.

This paper starts from two powerful ideas: that people should, as far as possible, be allowed to choose how they live their own lives and that letting them do so will bring additional prosperity to Perth.

Delivering on those ideas could take many forms. Overwhelmingly the ways that will deliver more freedom and more prosperity fit well with much of the debate already going on around Perth about what a future Perth could look like. This paper discusses five, interlinked, proposals. Some ideas, like the freeing up of shop trading hours and the implementation of the new liquor licensing reforms are also high on the agenda of other groups thinking about how Perth can evolve. Other proposals, such as implementing a target of 50,000 additional tertiary students from China and India are bold new ideas that deserve further discussion and evaluation.

Together, these five proposals are designed to help Perth evolve from ‘dullsville’ to a vibrant, multifaceted city, enmeshed on many levels with the power houses of China and India, yet which continues to provide the famed ‘laid-back lifestyle.’ Many people, both residents and visitors have noticed Perth would benefit from being more vibrant, more diverse and with greater options.

Perth is abundantly blessed with good fortune. The current enormous wealth generated from the resources industry offers opportunities not available to almost any other city on the planet. Because of this wealth Perth could remain prosperous for a long time without enacting much reform at all. After all, it has a very high standard of living despite all the restrictive rules that every other state has dealt with. But Perth pays a big price for pandering to the special interest groups that want no change in shopping hours or don’t want anyone having a glass of wine after work in their suburb. There is a large body of research that suggests that diversity of choice and lifestyle are important to attract and retain the sorts of people essential to a city’s future. Specifically, many young, tertiary educated people place a very high importance on being able to find the sorts of shops and restaurants and bars that interest them and to live in the sort of housing they want. People in highly knowledge intensive industries such as engineering, life sciences, education and computer sciences, as well as the classic creative occupations of the arts, media and design, like lots of choices and they value the very fact the choices exist even if a particular choice is not to their taste.

The research shows that cities which allow choice and diversity in people’s day-to-day lives are better at incubating new industries and attracting the highly skilled workers needed to grow the economy in the future. At the same time, the experience in other Australian states has shown that the broader population also embraces the removal of archaic restrictions. No government would ever attempt the reintroduction of shop-trading-hour restrictions; there would be an outcry.

Individual entrepreneurs and companies rather than governments will identify the best opportunities for future profitable growth. This growth should be from a myriad of industries, probably leveraging off the clear expertise in mining, but paths of growth could travel in unexpected directions. For this to occur Perth needs the right regulatory environment and the right people. Becoming the most attractive jurisdiction to do business in, not just in Australia but globally, and attracting the most talented, creative and educated minds are achievable goals. The current boom offers the clear opportunity to put the house in order: to repeal unnecessary restrictions on people’s lives and businesses, to improve transparency and predictability in government decision making, and to reduce tax and lift the compliance burden. All these policy actions will be of great advantage to Perth residents, both those already here and those still to be attracted and will ensure ‘dullsville’ is consigned to the history books.
Creating a liveable city

1. Shopping, drinking & taxis

‘It may once have been treasured as an easy-going, overgrown country town, but the reality is that as a 21st century capital, it just doesn’t cut it’ was the depressing conclusion of The West Australian editorial. That ‘big country town’ epithet no longer applies—Perth has 1.4 million residents, which makes it bigger than Amsterdam, Prague and Stockholm, all of which are international destination cities for both tourists and creative class workers.

This report joins with others that have called for reform of shop trading hours and liquor licensing. There are clear benefits from shop trade and liquor license reform—attracting and retaining the sort of workers the city needs now and in to the future are vital. Furthermore, there are the benefits to Perth’s businesses who will be able to take advantage of the reforms to become more innovative and competitive, to their advantage and their customers.

However, while these reasons are important, this report has a simpler reason for enthusiastically recommending the removal of archaic and restrictive rules. Liberty to make decisions is important. Individuals gain by having control of their own lives. Liberty over small decisions—‘shall I have a drink with friends after work?’ or ‘I’ll have lamb tonight, I’ll just pick some up on the way home’—are important everyday exercises of liberty. While not accorded the import of the great liberties—like the right to vote, to free expression, and to the rule of law—for most people, simply being able to do what they want at the micro level is an essential part of liberal society. It is time Perth’s people were allowed these everyday choices.

Delivering on shop trading reform, liquor licensing implementation and taxi deregulation is key to changing Perth into a globally focussed, confident city. All these policy changes should be as enthusiastically embraced by all political parties as they are by Perth’s business and cultural leaders. By now, given the publicity of so many locals and visitors all saying the same thing, the refusal of the political class to act can only be described as a profound lack of leadership.

Perth needs to change the regulation of shopping, liquor and taxis to be consumer rather than producer focussed. Making these changes will have the biggest impact on the city and its residents because they are both practical and symbolic barriers to Perth evolving into a global liveable city. As Deidre Willmott of the Western Australia Chamber of Commerce and Industry (WA CCI) says ‘It is a real barrier to vibrancy in the city when the government tells business when to open and close’.

The reforms must go beyond shopping, liquor and taxis to a change in regulatory mindset at the city council and state government. As Charles Landry astutely notes when it comes to building regulations, they need to take the emphasis of making sure things meet the minimum standard—it should be a case of guidelines. Council officers want to hide behind standards. We need to get rid of the tick-the-box approach.

However now the most important priority is making a start with the highly visible trifecta of shopping hours, liquor licensing and taxi numbers.

While the arguments about deregulation of shop trading hours and the actual delivery of flexible liquor licensing laws are well understood, the deregulation of taxis has to date not been placed in the same category and calls for reform have been more muted. Yet dissatisfaction is clear in the numerous snippets of complaint regularly appearing in the newspapers. For example, tourism analyst Alan Boys says ‘the bad experiences that I am hearing about regularly from corporate guests is just appalling. It is an absolute disgrace.’

Limited access to taxis inconvenience locals, encourage drink-driving, and hurt tourism. Unsurprisingly alternatives to taxis such as limousines that operate under a small charter vehicle licence are booming, particularly for time sensitive long trips to the airport.

Figure 1: People per taxi, Perth, 2006

<table>
<thead>
<tr>
<th>City</th>
<th>People per Taxi</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sydney</td>
<td>1200</td>
</tr>
<tr>
<td>Melbourne</td>
<td>1000</td>
</tr>
<tr>
<td>Brisbane</td>
<td>800</td>
</tr>
<tr>
<td>Perth</td>
<td>1200</td>
</tr>
<tr>
<td>Adelaide</td>
<td>1000</td>
</tr>
</tbody>
</table>

However these alternatives are very restricted in their use as they must be pre-booked and cannot be hailed or sit on a taxi rank. Also they are subject to minimum trip charges.

The taxi industry is dominated by individual owners who have paid very high prices to own the right to operate a taxi. Reform of the industry to make taxis more available will reduce the value of the plates owned by existing owners. Unsurprisingly current plate owners argue no additional plates should be issued or, failing that, that the government should buy back licenses at the average plate transfer value of the past 12 months. Given that figure is $230,873 per plate and would cost the State Government $246 million to achieve, a buy-back is unlikely to occur. Moreover, to pay out taxi-drivers at a level far above what any plate was originally sold by the government is a very poor use of taxpayers’ funds, and delivers windfall gains to a very small group of people who are currently undergoing boom business returns. Indeed, the head of Swan taxis says ‘it has never been so viable. It hasn’t been as busy as this since 1973. They’re taking big money.’ The last time Perth sold licences was 1989 and they were sold as interest-free loans at 75 per cent of the then market rate which allowed plate owners to own their plates in about seven years. It could therefore be argued that those taxi licence plate holders already benefitted from government largess, after all in what other industry does the government advance an interest free loan?

The need for reform is overwhelming. Perth’s ratio of taxis to people is the worst in the nation. The shortages are particularly acute in Northbridge and Freemantle at night but service quality figures generally are unacceptable. The chart below underestimates the scale of the problem because it only covers booked taxis. However, it is difficult, if not impossible, to measure the impact on the city from generally being unable to hail a taxi. As the supply of taxis tightens locals adjust their behaviour, the spontaneity available in a city like London with plentiful taxis is taken away from Perth residents and probably surprises tourists.

Figure 2: Western Australia taxis, percentage of passengers not picked

1. Legislate an extension of the leased licence plate scheme with a five year initial target of matching Brisbane’s taxis per person ratio and the further partial deregulation of the industry in a measured and predictable way at the end of five years. This will result in a gradual diminution of licence plate values and allow current plate holders to make considered judgements.

2. Abolish minimum fares on small charter vehicle and tourist charter licences.

3. Legislate to require booking services (Swan and Black & White) to include leased platted taxis on their networks.

2. Enhancing & retaining Perth’s lifestyle

One of the most important things about Perth’s great lifestyle is its accessibility. Everyone can get to the beach easily, the spectacular views from Kings Park are free for all and the Mediterranean climate offers a BBQ and outdoor living lifestyle in backyards and parks. Similarly, the whole community shares in the safety and cleanliness of Perth.

However, along with these natural and community benefits are the private benefits that have traditionally meant Perth residents could own their own home, enjoy a high standard of living and provide for their families. ‘Over long periods of time, and in differing economic conditions, Western Australians have continued to express a strong preference for their own home, often in a new suburb, on a relatively large block of land.’7 This has resulted in home ownership rates (including those with mortgages) of 70 per cent.8 Going forward however, those traditionally high home ownership rates are at risk as unaffordable housing becomes an entrenched feature of the city.

Housing is too expensive

Early in 2007 Perth achieved the dubious honour of the most expensive median house prices in Australia. Since then Sydney has reclaimed the top spot but Perth is well entrenched at a close number two.9 Perth remains the most expensive unit/flat market.

Numerous enquiries, reports and analyses have concluded that the cause of Perth’s unaffordable housing is lack of land supply. Perhaps the most authoritative commentary is from the Western Australian Department of Treasury and Finance who concluded ‘land supply is a key factor influencing the housing market. Limited land sup-

Figure 3: Perth housing prices compared to the rest of Australia

![Figure 3: Perth housing prices compared to the rest of Australia](source)

Source: ABS 6416.0

Figure 4: Average price of lots sold, Perth

![Figure 4: Average price of lots sold, Perth](source)

Source: WA Department of Treasury and Finance which cites UDIA

Table 1: Median House and Unit Prices as at June 2007

<table>
<thead>
<tr>
<th></th>
<th>Houses</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sydney</td>
<td>559,770</td>
<td>407,181</td>
</tr>
<tr>
<td>Perth</td>
<td>405,115</td>
<td>460,546</td>
</tr>
<tr>
<td>Brisbane</td>
<td>411,491</td>
<td>301,264</td>
</tr>
<tr>
<td>Melbourne</td>
<td>402,817</td>
<td>322,470</td>
</tr>
</tbody>
</table>

Institute of Public Affairs

Supply has led to higher land prices and hence fed through as higher prices of new homes.¹⁰

Yet Perth has no shortage of suitable land for building, nor is there a lack of attractive apartment sites closer in. The problem is that inappropriate planning rules seek to restrict new housing developments and encourage infill, but fail to achieve that additional infill, leading to a general restriction on housing supply. Edge development is restricted, despite ongoing demand for this sort of housing, but infill doesn’t work because existing residents are effective at stopping it.

Affordability is low

A well-established method of comparing housing affordability is to divide median housing prices by household income. Over the decade to 2006 Perth’s ratio has risen from 3.7 to 8.0 making Perth number eleven in a global survey of 157 housing markets and rated as severely unaffordable.¹¹ One result of such high housing prices has been the virtual elimination of first home buyers from the market. Only 1,590 first home buyers entered the market in August bringing the total for the year to 9,851.¹²

According to the Preliminary Report by the Western Australia Housing Affordability Taskforce,¹³ only six years ago Perth housing was the most affordable it had ever been and the most affordable of all Australian capital cities. Since then Perth has become so unaffordable that it takes an income of $120,000¹⁴ to qualify for a loan on an average-priced home. With average household incomes of $56,420,¹⁵ the hardest hit are middle and low income households, particularly those reliant on one income.

Solutions well known but not implemented

The solution to this problem is increasing the supply of housing. The crisis cannot be fixed overnight as many people have made decisions based on a continuation of restricted supply/high prices and to suddenly release enough land to bring prices down to an affordable level will mean some households experience negative equity. However if housing prices are stabilised over the medium term income will catch up and affordability will improve.

The State Government has announced some measures designed to alleviate the problem; the most important of these is a target of 20,000 new housing lots for the Perth/Peel region. The announcement of this target is in line with an acknowledgement by government that supply is crucial. It is therefore vital that this target is met and that further

Figure 5: Lot price, lots available and lots sold

Source: WA Department of Treasury and Finance, citing UDIA
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substantial targets are set in coming years. Other policy announcements have been at best of marginal use. First home buyer conveyancing fee exemptions are of little use if first home buyers cannot find any properties they can afford and the shared equity scheme adds to demand, when supply is the problem.

In addition to ensuring adequate land on the edge is available for housing, more needs to be done to encourage a variety of infill projects. While most families with children want detached homes, young people, singles and empty-nester couples are increasingly looking for alternatives. One reason Perth has the highest cost flats and units in Australia is their relative scarcity. (The other is the overall scarcity of housing forcing some people who would prefer a house to live in a less expensive option).

Table 2: Percentage of households living in flats and units

<table>
<thead>
<tr>
<th>City</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perth</td>
<td>9%</td>
</tr>
<tr>
<td>Brisbane</td>
<td>12%</td>
</tr>
<tr>
<td>Melbourne</td>
<td>15%</td>
</tr>
<tr>
<td>Sydney</td>
<td>24%</td>
</tr>
</tbody>
</table>

*Source: RP Data, Rp Data – Rismark Property Index 3 September 2007*

Energising the CBD through residential development

Perth lags all mainland capital cities in the number of people who live in the Central Business District (CBD). Melbourne is the clear leader in the number of apartments and the number of overseas students (using non-Australian citizens as a proxy for overseas students).

Table 3: Residents in the CBDs of Australian cities

<table>
<thead>
<tr>
<th>City</th>
<th>Living in the CBD</th>
<th>Citizens from countries other than Australia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sydney</td>
<td>13,549</td>
<td>10,200</td>
</tr>
<tr>
<td>Melbourne</td>
<td>20,359</td>
<td>11,844</td>
</tr>
<tr>
<td>Brisbane</td>
<td>13,921</td>
<td>5,800</td>
</tr>
<tr>
<td>Perth</td>
<td>6,341</td>
<td>3,613</td>
</tr>
<tr>
<td>Adelaide</td>
<td>10,229</td>
<td>5,785</td>
</tr>
</tbody>
</table>

*Source: ABS Census 2006*

The high number of residents in Melbourne’s CBD did not occur by accident. In the early 1990’s the Melbourne City Council and the Kennett State Government created a program called Postcode 3000 which had the aim of producing 3,000 apartments in the central city by 2000. This goal was reached early and those initial residents have proved a magnet for a range of new city developments leading to the higher numbers of CBD residents than other states.

Melbourne City Council, with some State Government funding developed a number of programs to encourage developers to convert office space to housing. Later this was expanded to new buildings. Policy changes included streamlining approvals and changing criteria to make apartment development possible, the reassessment of council rates for the construction period and fee relief from some permits. Council also undertook some capital works to improve street amenity. These works included street tree planting and the upgrading of footpaths.

At the beginning of this process very few people lived in Melbourne’s CBD—there were no supermarkets and the city was known as a ghost town at night. Initially neither Optus nor Telstra rolled out residential cable to apartments so residents were forced to use dial-up. Pay-tv was not available and some areas had very poor reception. The Postcode 3000 program acted as a focus point to have these services delivered, which in turn made the city a more attractive residential destination.

The success of this program was driven by a mindset change rather than money. Relatively small amounts of funds were used to achieve a significant policy success which has become an integral part of the success of Melbourne’s CBD as an interesting destination.
stands now, with such high land prices in inner and middle
suburbs, the risk of getting bogged down in objections and
appeals can make infill developments too risky to pursue.

If Perth’s famed laid back lifestyle is to be anything
more than a slogan, a number of policy changes need to
be made. Housing affordability is central to these changes
because the central part housing plays as both shelter and
the major investment for most people.

3. Educating China and
India—Perth as global
knowledge hub

Perth, and Western Australia more broadly, owe much of
their current strong economic growth to demand from Chi-
na and India for raw materials. While this demand is likely
to continue for many years Perth has the opportunity now
to deepen and broaden engagement with these two power-
house economies. Attracting many more tertiary students
from China and India is a key way Perth can enmesh itself
in the future growth of the region.

Currently over 150,000 students from India and China
are enrolled at Australian universities. Western Australia has
an eight per cent market share, a figure that has been falling
in recent years as others States have been more successful in
attracting students from the growth markets of China and
India.

Table 4: Total overseas students and
share by state, September 2007

<table>
<thead>
<tr>
<th>State</th>
<th>Overseas students</th>
<th>% total</th>
</tr>
</thead>
<tbody>
<tr>
<td>New South Wales</td>
<td>159,242</td>
<td>39%</td>
</tr>
<tr>
<td>Victoria</td>
<td>121,001</td>
<td>30%</td>
</tr>
<tr>
<td>Queensland</td>
<td>59,355</td>
<td>15%</td>
</tr>
<tr>
<td><strong>Western Australia</strong></td>
<td><strong>32,353</strong></td>
<td><strong>8%</strong></td>
</tr>
<tr>
<td>South Australia</td>
<td>21,595</td>
<td>5%</td>
</tr>
<tr>
<td>Tasmania</td>
<td>3,930</td>
<td>1%</td>
</tr>
</tbody>
</table>


China is the number one source of overseas students to
Australia and India is number two. Overseas students from
China and India comprise about 37 per cent of total over-
seas student enrolments. NSW attracts 45per cent of Chi-
inese students and Victoria 54per cent of Indian students. By
contrast, Western Australia enrolls four per cent of the Chi-
inese students studying in Australia and only two per cent of
Indian students lagging all mainland states in students from
these markets. 17 Despite enrolling a greater total number of
overseas students than South Australia, Western Australia
even lags SA in the number of students from China and
India.

Figure 6: Share of overseas students
from China and India, September 2007

Table 5: Comparison of WA and Victorian Chinese and Indian overseas student numbers & required WA growth

<table>
<thead>
<tr>
<th></th>
<th>WA now</th>
<th>Victoria now</th>
<th>WA in 2018</th>
<th>WA increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>4,267</td>
<td>38,204</td>
<td>28,000</td>
<td>23,933</td>
</tr>
<tr>
<td>India</td>
<td>1,300</td>
<td>29,766</td>
<td>30,000</td>
<td>28,700</td>
</tr>
<tr>
<td>Total</td>
<td>5,567</td>
<td>57,970</td>
<td>58,000</td>
<td>52,633</td>
</tr>
</tbody>
</table>


A goal over the next decade is for Perth to increase the number of overseas students from China and India by about 50,000 per year. The benefits to Western Australia will be immense and multifaceted, encompassing economic, social and cultural aspects. This will put Perth where Victoria is now in terms of students from those countries. This is the equivalent of building two whole new universities so is an ambitious goal. To achieve this goal over the next decade, Western Australian universities will need to enrol an additional 5,300 students every year until the total additional 52,000 students is reached in 2018. The University of Western Australia recently announced an intention to increase student enrolments (domestic and overseas) by 5,000 per year, citing a need to achieve the critical mass required to compete internationally. This initiative needs to be built on and resourced so that across the sector this growth can be achieved every year.

Achieving this goal need not come at the expense of other states; China and India remain growth markets for Australian education. In 2005 the growth in students from India was 33.5 per cent and China also showed strong growth. Nor is this goal ‘pie in the sky,’ increasing Western Australia’s overseas student enrolments by 5,000 students per year is a fifteen per cent increase on current total overseas students. Swinburne University in Melbourne reported a 40 per cent growth in 2006 overseas student commencements as the result of a changed marketing strategy.

Perth has already attempted to brand itself as ‘Perth Education City’ but this longstanding initiative has not delivered at the tertiary level in relation to students from China and India and has not kept up with best practice in areas such as internet marketing (see web case study on page 12). Whether this consortium remains the appropriate vehicle to deliver such a large lift in student numbers must be questioned. A more focussed program targeting China and India and incorporating more business input with the university and government sectors may pay dividends.

The infrastructure and human capital demands that such an ambitious program will require additional State government and private sector funds. The result of this investment will be to develop what the Western Australian Technology and Industry Advisory Council calls a ‘global knowledge hub’ defined as ‘an integrated cluster of R&D activities, advanced educational programs and knowledge-based business services of sufficient scale and excellence to be recognised as a world leader’. Positioning Western Australia as a global knowledge hub through creating tertiary institutions with sufficient scale to be world-leading is an example of the multiple benefits to Western Australia from aggressively increasing overseas student numbers.

Western Australia already has obvious advantages in some disciplines, such as minerals and energy, environmental science and marine science. Fortuitously, all of these areas are priority areas for either or both of China and India. However, which areas are targeted must come from a collaborative effort by the universities, business, government and most particularly the demand from the overseas students themselves. Although planning and specialisation is required, there seems little point in, for example, targeting biotechnology in competition with Melbourne, Brisbane and Sydney who already have well-developed programs in this area, especially given the overt hostility to agricultural biotechnology adoption by the State Government to date.

Financing the massive expansion of the tertiary sector will require policy action and financial investment in a number of ways. These include additional housing, university infrastructure, support services, and marketing. The State Government has a key role to play in enabling this investment to happen. For example, the additional 50,000 students need to be housed, preferably close to their tertiary institutions, in decent, but cheap, accommodation. The State Government will need to ensure appropriate sites are zoned for this sort of housing. Similarly, these additional students will need inexpensive places to eat, to purchase entertainment and to shop, close to where they live or easily accessible by public transport. The State Government and local councils have a role in ensuring student-friendly hubs can occur, and again this will require town planning acting as an enabler rather than a blocker.

Past acting as an enabling body, the financial cost to Government can be relatively small. The universities will need seed money to get new programs up and running and perhaps to underwrite additional borrowings for new buildings. Loans and seed grants for these purposes can quite properly be seen as government investing in the fu-
Fashion and urban culture

As a quirky example of how inviting an additional 50,000 Asian students to Perth will enrich the city and create additional spinoffs, fashion is illustrative and perhaps surprising. Japan has been ramping up its cultural outputs for some time now and, along with the Hong Kong aesthetic, is becoming pivotal in defining an ‘Asian style.’ This style is recognized by mini-skirts with thigh high socks, bold prints, designer motif handbags and kawaii (cute) accessories. In cities with large Asian student populations it is becoming more common to see boutiques springing up that stock Japanese street wear; in turn this aesthetic is picked up by Australians of Asian descent and is also seeping out to the broader community. Concurrently, the absorption of this ultra-hip Asian aesthetic into a city adds to its global appeal as an interesting place to live and works to help attract and keep the sort of highly skilled creative people all cities are trying to draw.

With enough critical mass, Australian based designers are able to create their own Asian-influenced designs and sell them into Asia. So what begins as a few imported Hello Kitty accessories can end up creating a niche export industry and increasing the attraction of the city as a diverse and interesting destination for both tourists and sought-after workers.

A student friendly Perth

As has been stressed it the introduction to this paper, all the recommendations are designed to work together in making Perth a more vibrant and interesting city that throws off its ‘dullsville’ tag and refashions itself as a broad-based global city. This recommendation is particularly important in meeting these objectives and for enmeshing the city with its current major trading partners.

In a globally competitive marketplace for overseas students, lifestyle while studying is increasingly important. Perth has the beaches, the weather, the natural attractions and the scale to be very attractive to students from India and particularly China. However, students are also looking for affordable housing both as a student in a shared house, and later, if they choose to stay, in a family home. As section two detailed, Perth is failing to deliver affordable housing both as a student in a shared house, and particularly China. However, students are also looking for affordable housing both as a student in a shared house, and later, if they choose to stay, in a family home. As section two detailed, Perth is failing to deliver affordable housing both as a student in a shared house, and later, if they choose to stay, in a family home.

There is no such thing as shop trading hours in China or India. Shops open to best suit the needs of customers and the idea of restrictions strikes many overseas visitors, not just students, as odd. However the mindset that continues to restrict shop trading hours (and stops the implementation of reformed liquor licensing laws) is alien to people from bustling, never closed cities. As section one described, there is considerable research indicating that the young ‘creative class’ expect flexibility so they can eat when they finish work late, or have a couple of drinks with friends without braving a beer barn. Many of the sort of people Perth should be attracting as overseas students share those attitudes.

As section two detailed, Perth is failing to deliver affordable housing both as a student in a shared house, and later, if they choose to stay, in a family home. As section two detailed, Perth is failing to deliver affordable housing both as a student in a shared house, and later, if they choose to stay, in a family home. As section two detailed, Perth is failing to deliver affordable housing both as a student in a shared house, and later, if they choose to stay, in a family home.

And there is much business can do to help. Initiatives such as industry placement programs designed to fit with the visa and study requirements of students, the creation of scholarships for outstanding but less well-off students, the endowment of professorial chairs, as well as more direct commercial relationships with the universities to build the buildings, house the students etc.
Comparing Perth and Melbourne’s overseas student web sites

Melbourne, under the auspices of the Department of Education, has developed a comprehensive web presence branded ‘Study Melbourne’ (www.studymelbourne.vic.gov.au). As part of the ‘Perth Education City’ program Perth has also created a web site (www.doir.wa.gov.au/PEC). Just the web addresses say something about the differing approaches, Melbourne has created a total branding experience that reaches down even to the URL branding while Perth has buried its site within a government department.

The sites look very different: Melbourne’s homepage begins with a welcome and highlights student testimonials and the benefits of living and studying in Melbourne. It even suggests Melbourne has a great climate! It is very student driven and the majority of testimonials are from Asian students. Perth’s homepage has an invitation from the Premier who highlights how desirable, affordable and safe Perth is. Further pages talk about the ‘Perth Education City’ concept rather than focussing on the information prospective students will want. Perth has a few testimonials too but only two from Asia.

Melbourne stresses the multicultural nature of the city, its food, fashion and parks as well as the strengths in science, IT and engineering. The site provides links to Tourism Victoria and the Melbourne City Council tourism site and focuses on the student experience. Perth’s site attempts to provide this sort of tourism information but seems to fall back in to asserting how inexpensive and cosmopolitan Perth is compared to other Australian cities.

Unfortunately Perth’s site is badly out of date in some key respects. The Living Costs page states an overseas student would pay $80 per week for rent and meals. A quick look at the online student accommodation boards shows advertisements for $125–$210 room only with meals extra. Similarly the Upcoming Events end at February 2007.

Overall Perth’s site seems just as much about attracting east-coast students to Perth as it does about luring overseas students due to the constant comparisons with other Australian cities. Melbourne presents itself as a natural global player, with an edgy yet safe city, perfectly placed to offer international standard education within a community that overseas students will fit into. By contrast Perth’s site is not student focussed, is out of date, and presents Perth as a cheaper destination, rather than a sophisticated, knowledge-based hub.

Economic benefits

A detailed survey of spending by overseas students found that those in Western Australia spent an average of $476 per week on non-fee related spending. On current enrolments, overseas students are therefore spending over $15 million a week on housing, food, and other expenses. This figure is likely to be conservative given the dramatic increases in housing costs since the survey was undertaken in 2004. The total direct expenditure by overseas students in Western Australia, including course fees and living expenses is well over $1 billion per year. The overall contribution to the economy is much greater.

An additional 50,000 overseas students, on the above expenditure figures, and assuming the students are only in Australia for nine months of the year, a conservative assumption, would spend about $1 billion in just living expenses plus at least the same again on tuition fees. Therefore the direct expenditure in Western Australia would increase by over $2 billion per annum and the indirect value a multiple of this amount.

A research hub

As the Vice Chancellor of the University of Western Australia has commented, universities need sufficient scale to compete in the international research ratings which in turn influence the attractiveness of the university to prospective students and academics. Attracting additional students from India and China should be part of the development of universities of appropriate scale to bring in the world-class researchers needed. Having a critical mass of excellent university researchers, particularly clustered in academic disciplines that feed into high growth industries, should create a virtuous circle whereby their research is of use to Perth’s industries or acts as a hub to attract new industries. Although the process is never as neat as this model predicts there are global precedents for research-intensive universities being the catalyst for whole industries developing in certain locations rather than others. Perhaps the most well known example is the proximity of Silicon Valley to Stanford University and the role that university has played in the development of the IT industry.
Social benefits

Perth has experienced different immigration patterns than Sydney and Melbourne: more from the UK and South Africa, less from Asia. Some 87 per cent of Perth residents identify as having British or Australian ancestry compared to 70 per cent in Melbourne and 68 per cent in Sydney. Perth has more than double the proportion of living British migrants than Sydney, Melbourne or Brisbane.

This matters for a number of reasons. If Perth truly aspires to be a global destination city, diversity is important. For example a consistent message from overseas students in Melbourne is that the fact that Melbourne is a multicultural city was important in their choice of destination. As the global race to attract the best talent continues, young, highly educated workers are consistently demanding places where they feel they are accepted and a visibly multicultural city is part of the filtering process for these very attractive migrants and workers.

While many graduating overseas students will choose to return to their countries of birth, some will choose to settle in Western Australia. This is particularly true of students from India and China of whom a recent survey found 41 per cent of Indian and 29 per cent of Chinese students responded that they wanted to migrate to Australia at the completion of their studies. Either way, Perth has much to gain from both those who stay and those who return home. Providing about 20,000 people a year (assuming an average three year course length) with a positive learning and living experience that they can then use to settle in Australia or to return home to a new career can deliver to Perth an army of ambassadors with deep links to the city and to their places of birth.

4. Creating Partnerships for Infrastructure

What Perth looks like—both the built environment as well as Perth’s natural attractions—has been the source of much soul searching in the past couple of years. There is debate about the relative merits of the convention centre, the lack of development on the river foreshore and the Northbridge railway lines. Many people want to see statement buildings, new arts centres, galleries, museums and new stadiums. Few agree on what these should look like other than they should be world class and funded by government. Other people stress commercial solutions, adapting the lessons of Brisbane and Melbourne which reinvigorated their river frontages with largely private sector buildings and excellent urban design overlays from the planners.

Overarching all this is a realisation that Perth’s built environment, at least as it refers to the CBD, is unappealing. Where are the architecturally significant buildings? Where, even, is the development of a distinctive Perth style?

There are appropriate roles for developers, government, business tenants and philanthropists in making Perth a city more in tune with its place as an aspiring world-class destination city and also with its environment and climate. Government has a clear role in town planning, in setting the rules for the purpose, scale and quality of precincts such as the foreshore and Northbridge. Others should have the role of delivering these projects.

The initiatives of FORM, a not for profit cultural association supported by industry, and its executive director

Figure 7: Melbourne recital centre and Melbourne Theatre Company Theatre Project

Source: Ashton Raggett McDougall, Melbourne Recital Centre and MTC Theatre Project, http://www.a-r-m.com.au
Creating a liveable city

Lynda Dorrington, in creating debate and providing a forum to enable discussions continue to be important in changing people’s mindsets. It is clear that there is overwhelming agreement amongst Perth’s business and cultural leaders that things need to change. It is also clear the projects (the river and Northbridge) identified by these leaders as important to Perth’s future are just not going anywhere. It is well overdue that the government handed these projects over to the private sector along with an appropriate planning scheme to deliver a mixed use precinct for dining, shopping, working and living.

Cultural Venues

The tradition in Australia has been for government to largely fund cultural buildings such as theatres, art galleries and concert halls with philanthropic contributions playing a smaller role than in, for example, the US. However this is changing as governments look for solutions to the problems of equity raised when spending large amounts of money on venues that will be used by a relatively small and affluent section of the community when other priorities such as health and education remain pressing.

Innovative solutions that augment government funding include the current Victorian construction of a recital hall and small theatre being built with a combination of government money, money in lieu from Crown Casino for not building a theatre it had promised to build, and $21 million from private and other sources. Significantly, this building, built largely for chamber music, is being deliberately benchmarked against the world’s greatest venues of that type. Aiming at that level is regarded as unremarkable by most people involved in the project. There is a view that if the city is going to embark on such a project the only option is to build it with world class acoustics and design, anything less would let down Melbourne audiences and would not position Melbourne as a destination for the world’s best performers.

Perth should be similarly ambitious in attracting private philanthropy to build outstanding venues which meet the needs of its residents. Government and council need to be more proactive in offering ways to involve those who are now reaping the rewards of their work in WA’s mining industry and are keen to donate part of their wealth to cultural projects. At present the paralysis over the foreshore and Northbridge developments offers no scope for a budding philanthropist to get involved in a project as there are no projects.

Moreover, the State Government and Perth City Council have clear leadership roles in facilitating public acceptance of new projects. Great architecture is often controversial. The Sydney Opera House, Paris’s Pompidou Centre and Louvre pyramid and Barcelona’s Guggenheim Museum all attracted scathing criticism. What philanthropist in their right mind would want to offer millions of dollars to help build an iconic building if a good proportion of the political leadership of the city and state pander to the most ill-informed criticism and allow their generosity to be pilloried? Leadership must include backing others boldness, especially if the outcome is of world class standard.

However the greatest imperative is for action. The time is well overdue for talking about these projects. Buck passing from all tiers of government and sniping from opposition of any spark of decision has doomed all previous attempts.

Footpaths, trees and rubbish bins

Perth residents have become so used to working around the oppressiveness of the climate before the Freemantle Doctor rolls in, that often just how unpleasant the city streets are in 40 degree heat is forgotten. The Hay Street Mall is unbearable for much of the day in summer; what limited trees there are in the malls remain spindly, isolated attempts to add some much needed shade into a concrete hot box. Paving is not uniform and many streets still have asphalt, despite its obvious unsuitability for the climate. Lighting varies from the round balls of the mall to the sort of ugly street lights designed in the 1970s. Overall the CBD is a bad mismatch of third-rate fixtures and fittings, more at home in a down-at-heel country town than a prosperous city.

This matters. Great cities pay attention to their in-
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Infrastructure. Paris is famous for its sidewalk cafes but underpinning those cafes is a consistency in the streetscape, large format bluestone paving on wide footpaths, a single design for bollards, heritage lighting, and rubbish bins with matching covers. All these things create the ‘look’ of Paris. Charles Landry zeroed in on why this matters: take the fences at car parks, sports facilities or stations. They represent a miniscule amount in the total budget, but usually they disappoint and make you feel gloomy. ... The fine detail matters. It is often that last one per cent of expenditure that embellishes, communicates and provides that twist of beauty.31

Perth needs a total overhaul of the CBD look and feel. The city needs a master plan to remove all asphalt, plant many more trees, standardise lighting, rubbish bins, bollards etc. With Cathedral Square inching forward (as well as the eventual redevelopment of the foreshore and Northbridge railway lines) getting these micro settings right is timely and of arguably more importance to the general amenity and beauty of Perth than any new iconic building.

5. What’s the ‘next big thing’ & should anyone be guessing?

The export of iron ore was banned when Lang Hancock discovered it in the Pilbara because of a common idea that mineral resources were scarce. Today it forms a large part of the wealth of Western Australia.

In the 1980’s, when compulsory superannuation was introduced, the only policy aim was the provision of retirement savings for workers. Fast forward 20 years and the unexpected spinoff was the creation of Australia as the fourth biggest funds management industry in the world.

The State Government of Western Australia has identified what it calls pillars for diversification beyond the boom: biotechnology, information and communications technology, marine and defence and renewable energies. Western Australia is not alone in attempting to back the next big thing. Queensland and Victoria both trumpet biotechnology, New South Wales and Victoria both back information and communications technology. The University of Melbourne has just announced the creation of an internationally recognised centre for marine and climate change backed with Federal Government money. Everyone seems to be behind renewable energy projects.

Identifying trends in export services is not an easy task as the data is grouped in unhelpful ways. However, the available data indicates Western Australia appears to be ignoring key strengths in engineering and mining services in its attempts to chase IT, biotechnology and renewable energy. Western Australia’s existing strengths do however appear well suited to marine and defence engineering. Figure 9 displays the breakup of Western Australia’s exports of high value-added business services. Sixty-nine per cent of Western Australia’s exports of high value-added services come from engineering, mining and agriculture. Western Australia has strong Australian market shares in all these categories. By contrast Western Australia has only a seven per cent share of Australian exports of communications services and a poor two per cent share of computer and information services. Overall Western Australia has a seven per cent share of business services.

The market shares of the states have been remarkably consistent over time in communications and IT. These two industries are important export industries totalling some $2 billion in 2006 but Western Australia has a long way to go to match the market leaders of NSW and Victoria.

Western Australia might be successful in developing useful export industries in the four identified areas. Conversely, it might not. The lessons of iron ore and superannuation are instructive. Governments are not known for their business acumen. There is little historical precedent

| Table 6: Share of exports, communications services, 2000-06 |
|---------------|---------------|---------------|---------------|
|               | 2003       | 2004       | 2005       | 2006       |
| NSW           | 35%        | 34%        | 33%        | 38%        |
| VIC           | 24%        | 25%        | 24%        | 23%        |
| QLD           | 17%        | 16%        | 17%        | 15%        |
| WA            | 8%         | 8%         | 8%         | 7%         |

Source: ABS 5368.0.55.004

| Table 7: Share of exports, computer & information services 2000-06 |
|---------------|---------------|---------------|---------------|
|               | 2003       | 2004       | 2005       | 2006       |
| NSW           | 77%        | 80%        | 70%        | 70%        |
| VIC           | 16%        | N/A        | 20%        | 21%        |
| QLD           | 5%         | 6%         | 6%         | 6%         |
| WA            | N/A        | N/A        | 1%         | 2%         |

Source: ABS 5368.0.55.004
Creating a liveable city

There are significant risks to getting it wrong. One risk is lost opportunity—the lost opportunity of the export driven, competitive industries that would have been developed had not people been focussed on the wrong thing. However the bigger risk is thinking it should be done at all. What needs to occur instead is a concerted effort to get the regulatory settings right for all industries, which, in tandem with delivering polices that keep Perth an attractive place to live for the broadest group of people possible, will deliver the innovation culture to drive the development of the ‘next big thing’.

Western Australia is already good at some of the things that can make this happen; State Government data is superior to many other states, allowing business, researchers, policy makers and government to make better informed decisions. Expanding availability and streamlining delivery across all departments will further improve the capacity of interested and knowledgeable people to input into the policy making process and to make business decisions grounded in fact.

Regulatory certainty and transparency remain of high importance to both existing and prospective businesses. Property rights so entrepreneurs can be certain of benefitting financially from their risk taking need to be re-examined. Furthermore, the delivery of administrative predictability, via known public processes that are consistently applied provides another layer of comfort for those risking capital. As the Productivity Commission notes ‘entrenching good process through procedural and institutional means is the key to better regulation’.32

There are a number of reasons why it is particularly in the interest of Western Australia to drive the next round of the National Reform Agenda. The most pressing is the capacity of the total package of proposed reforms to make Australia the third richest country measured by GDP per capita.33 Any leadership group which has the opportunity to deliver such a core benefit to their constituency is duty bound to embrace it. Moreover, Western Australia is starting from behind, having failed to implement the lowest per centage of national completion policy reforms of any state. The chief executive of the WA CCI, John Langoulant described this failure as ‘successive Western Australian governments are seen to have lacked the tick-box attitude to bring in fundamental reforms to shed competition restrictions that are so quaint that nobody really knows why we had them in the first place.’34

Beyond the National Reform Agenda there remains much Western Australia can do to best position itself as the place where new and profitable industries can take root. The current resources boom provides a unique opportunity to engage in some aggressive competitive federalism, cutting taxes, lifting regulatory burdens, increasing the skill base of the workforce and divesting assets better run by the private sector. All of these actions will have a greater impact on attracting new businesses and building on existing ones than attempting to take market share away from Sydney and Melbourne in existing industries.

There is much to be done to position Western Australia as a likely site for the ‘next big thing’ and to deliver increased and sustainable wealth from existing businesses. Politicians of all persuasions would be better to focus on getting the settings right than on trying to pick winners.

**Figure 9: Western Australia export of high value added business services, 2006**

![Pie chart showing export of high value added business services in Western Australia in 2006](source: ABS Cat. 5368.0.55.004)
Endnotes

16. RP Data, as above
21. *ibid.*
30. Boreham and Western.
33. *ibid.*
Bibliography


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