

# AUSTRALIA'S METROPOLISES AT THE CROSSROADS

**Oliver Marc Hartwich** examines the future of Sydney and Melbourne in a world of megacities

Until a few decades ago, Australian cities were rank outsiders in the Asia-Pacific region. Prosperous, globally connected, democratic, Western-standard—they were in effect European enclaves in Asia's southern backyard. These characteristics made Australia's top cities attractive locations for multinational companies from Europe and America.

Since then, Australia's cities have not changed much. They are even more prosperous, still well connected, still democratic, and still offering high standards. But they can no longer be regarded exclusively European in style.

Australia's big cities are now less different (or more similar) to their neighbours in the Asia-Pacific. Not only are they becoming more ethnically Asian but Asia's cities have become wealthier, more productive, and more Western. McDonald's and Starbucks, Benetton and Sony, Mercedes and Gucci are now as ubiquitous in the city centres of Seoul, Bangkok or Singapore as they are in Sydney, Melbourne or Perth.

What does this mean for the role and character of Australian cities in what is turning out to be the Asian century? In fact, the challenge posed by the rise of Asia's cities is so great that Sydney and Melbourne cannot claim to be big cities in their region any longer.

Of course, with population figures above the 4 million mark, many Melbournians and Sydneysiders would instinctively believe they live in big cities. From a historical perspective, they are certainly right. In 1900, there were only two cities with more than 4 million inhabitants, London and New York. In fact, it was not before the British census of 1881, which recorded a population of 4.7 million for Greater London, that any city in human history had ever exceeded the 4 million mark.

But size is relative. Our cities cannot ever compare with megacities (or cities with populations of more than 10 million people). Of the 26 megacities of the world, the biggest is Tokyo, with more than 34 million people, and the smallest is Paris, with 10 million people. Asia has 14 megacities, Europe four, North America three, South America three, and Africa two. Asia also has the top five megacities, a phenomenon that is set to completely dwarf our cities. In the new Asian era, with massive economic growth happening along the Pacific Rim, Australia's cities could soon look tiny and unimportant—not because Australian cities have moved backwards but because growth elsewhere has been so spectacular.

Villages have catapulted to megacity status within the last few decades, particularly in China. Thirty years ago, Shenzhen was a village of 30,000 people. Today, its official population is just below 9 million (the real figure could be several millions higher as not every resident is registered).

Using lower measures doesn't help. The *Citypopulation* website, which tracks census data for the world's largest cities, listed 481 agglomerations with populations of at least 1 million inhabitants as of April 2011. Sydney ranked 75, Melbourne 88, Brisbane 209, Perth 268, and Adelaide 400.<sup>1</sup>

Size may not be everything, but it is a useful measure to show our cities are not exceptionally large by international standards. We may be proud of living in globalised, 'world class' cities but the mega-urbanisation trend has passed us by.

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Of course, our cities have grown in the past decades, but other cities have grown even faster. In relative terms, Australian cities are smaller than they used to be.

But second-league does not equal second-grade. Every European city, perhaps with the exception of Greater Paris, now ranks as mid-size city by global standards. Even London, for 150 years the standard setter in modern urbanisation, can no longer claim a place in the top league of the most populous cities.

However, this does not mean that London, Berlin, Rome—or even smaller cities like Amsterdam, Zurich or Prague—do not matter anymore. Size is one thing. Being part of global social, political and economic networks is another. This is true for Europe's cities. It is true for Australian cities as well.

Cities interact with each other through exchange of products and services, people and—most crucially—ideas.

The *Globalization and World Cities—Study Group & Network* (GaWC) at the University of Loughborough analysed the real hierarchy of world cities based on the workflows of service firms and the network that results from these interactions.<sup>2</sup> The findings reveal that global urban relations involve both competition and cooperation.

Two cities in the GaWC research stand out: the Alpha++ cities of New York and London.

London and New York define a duopoly that constitutes a case apart—'NYLON' *is the global cities dyad par excellence.*

The interconnection between these two cities is no surprise. They were the drivers of industrialisation and modern capitalism throughout the past two centuries. They were also the effective capitals of the two biggest empires the world has seen over the same period, the British Empire and the (commercial) empire dominated by American capitalism.

If there is anything surprising about this result at all, it is how London has decoupled from Britain. After the end of Empire, Britain was reduced to a medium-sized European country with a diminished global role and a withering manufacturing sector. But London

continued to function as a global hub for trade and commerce, particularly in financial services. History matters, and established connections remain longer than the causes that once created them.

Another key finding of the GaWC study is relevant to Australia: the emergence of a new league of cities below the NYLON duopoly. Previous studies had given the Alpha+ level to only four cities: Hong Kong, Paris, Tokyo and Singapore. The 2009 study added four more: Milan, Shanghai, Beijing and Sydney, indicating that the global cities network is moving to the Pacific Rim. Of the 10 best-connected cities in the world, six are in Asia and Australia, three in Europe, and only one in America. This reflects the growing importance of Asia, which has consistently outperformed the developed economies of Europe and North America in recent decades.

Australia is in the enviable position of being geographically close to these developments, and our economy has benefitted from the stimulatory effects of the emerging economic giants of China and India but also of countries like Indonesia, Vietnam and Malaysia.

However, we tend to view this development in terms of resource exports of coal and minerals only. We haven't yet fully grasped the impact of Asia's rise on Australia's cities and other ways we could benefit from our physical and cultural proximity as well as economic benefits. This could be Australia's greatest opportunity if it manages to become part of the new Asian networks.

Australia cannot compete with rising Asian cities on size. Seoul has two million people more than the entire population of Australia; Beijing is equal to the six biggest Australian cities combined.

Unless Australia substantially increases its overall population, way beyond the projected 35.9 million in the 2010 *Intergenerational Report*, we will never have a megacity. Even if an Australian city eventually reached the 10 million mark that currently determines megacity status, there may be new categories by then. And even if Sydney or Melbourne reached the 6 or 7 million people by the middle of this century, as is widely assumed, they would only be mid-sized cities in a fast growing Asia. The

best we can hope for is that Melbourne and Sydney will still be considered one of most prosperous cities in the Pacific region, although the gap between Australian and Asian cities will become smaller in terms of GDP per capita or average incomes.

The Australian GDP per capita of more than US\$55,000 is much higher than in the US\$10,000 in 11 Chinese cities in 2010.<sup>3</sup> But only five years earlier, the GDP per capita was \$5,457, \$7,600 and \$7,300 in Beijing, Shanghai and Shenzhen respectively.<sup>4</sup> Adjusted for purchasing power, these figures would be somewhat higher, but there is still a wide gap between Asian and Australian per capita incomes. Growth rates in Asia will eventually slow, but the wealth gap will be narrower in the future.

Both these developments, the economic catch-up in Asia and the rapid growth of Asian cities, raise questions about the future of Australia's cities. A pessimistic scenario would be that by the end of the twenty-first century, Australia's two aspiring world-class cities of Sydney and Melbourne would be neither particularly wealthy nor big in the regional context. They would not feature in the ambitions of the Asian, let alone global, elites. Their fate would be an existence in mediocrity.

In the optimistic scenario, too, Asian cities would still be much bigger than Australia's cities. The wealth gap would have also narrowed substantially. But Australian cities would play a markedly more important role in the new global cities network, similar to the kind of role that London now plays globally, that is, not particularly big but extremely well-connected. They would find business niches in which to excel—just like Milan, a city of just 1.3 million people, is reputed as one of the global fashion capitals. Similarly, universities in Australia's big cities would be renowned for cutting-edge research and high-quality teaching. The high connectedness of Australia's top-tier cities would make it easier to travel to and within them. Doing business would be facilitated by governments (local, state and federal), not slowed down. International capital movements, mergers, and takeovers would be regarded as normal without

needing approval from national authorities and regulators based on a mythical and hardly ever defined national interest.

Unfortunately, Australia's big cities are heading in the opposite direction.

Though some highly successful global companies are operating in Australian cities, we have not produced the clusters of industries that eventually define a city. Transport remains one of the greatest weaknesses of both Melbourne and Sydney. Daily commuter traffic and CBD rush-hour gridlock, combined with the inability to increase air traffic capacity, are hindering economic activity. We have been discussing a second major airport for Sydney for almost 70 years now.

The political signals also fail to promote Australia as part of a connected cities network. By blocking the proposed merger of the Australian Stock Exchange with the Singapore Stock Exchange, the federal government sent the message to Asia that Australia defines its national interest too narrowly and does not wish to integrate with Asia and its capital markets.

Australia is simply not moving as fast as its Asian competitors. Perhaps Australia cannot build airports as fast as China, where the new Beijing airport was completed in just four years. But it is just disgraceful that a city like Sydney cannot introduce an integrated public transport payment system similar to the one operating in Hong Kong (Octopus card) or London (Oyster card) for many years.

Australia's two biggest cities stand at the crossroads. If they want to play a leading role into this century, they need to keep pace with the changes in the Asia Pacific region. If they don't, both Melbourne and Sydney risk becoming international backwaters over the coming decades.

## Endnotes

- 1 Thomas Brinkhoff, *The Principal Agglomerations of the World*, Citypopulation.
- 2 PJ Taylor, et al. *Measuring the World City Network: New Results and Developments* (2 March 2009).
- 3 'GDP Per Capita Exceeds 10,000 USD in 11 Chinese Cities,' [www.eChinacities.com](http://www.eChinacities.com) (10 April 2010).
- 4 'Guangzhou: Per Capita GDP Exceeds US\$10,000,' [www.china.org.cn](http://www.china.org.cn) (4 January 2007).