Transcript

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Compere:	**SABRA LANE**	Summary ID:	**X00072500678**
Item:	**NATIONAL PRESS CLUB ADDRESS WITH GEORGE MEGALOGENIS, AUTHOR AND JOURNALIST, ABOUT WHY SYDNEY AND MELBOURNE ARE GETTING TOO BIG FOR THE NATIONAL INTEREST.** **INTERVIEWEES: GEORGE MEGALOGENIS, AUTHOR AND JOURNALIST**		

Audience:	Male 16+	Female 16+	All people
	5000	2000	7000

SABRA LANE: Good afternoon ladies and gentlemen and welcome to the National Press Club and today's Westpac Address and this year's Griffin Address for the Australian Institute of Architects. I'm Sabra Lane, I'm the Director of the Board here at the National Press Club of Australia. The address is named in honour of Walter Burley Griffin, the designer of Canberra, and this year's lecture is the 52nd. The aim of this is to shine a big spotlight on the big issues in architecture and design in Australia, and what a huge topic to deal with today: Sydney and Melbourne, why our two largest cities are getting too big for the national good. And there couldn't be a better location to have this debate other than in the nation's capital.

Here to deliver it is respected journalist and author George Megalogenis. George's book, The Australian Moment, won the 2013 Prime Minister's Award for Non-Fiction and the 2012 Walkley Award for Non-Fiction, and it was the basis for his very popular ABC documentary, Making Australia Great. His second book

is Australia's Second Chance; he's also squeezed in a couple of quarterly essays, too, in recent years.

Please join me in welcoming George.

[Applause]

GEORGE MEGALOGENIS: Thank you, Sabra. And thank you to the Australian Institute of Architects for the invitation to give this year's Griffin lecture. I pay my respects to the traditional owners past, present, and future. And now could I address the elephant in the room: so, I've been a journalist for a bit over three decades; most of my career was spent on that side of the lectern and this is my first time at this end, so apologies if I seem a little more nervous than usual. And also I want to indulge in a couple of flashbacks before I go to the topic. There is actually a connection from the flashbacks to the topic at hand.

Just to give those of you a bit of background, I came to Canberra in October of 1988, so I was working in the new building, I didn't work a single day in the old building. My first job in Canberra was Economics Correspondent for the News Limited morning papers, and in those days the Courier Mail and The Advertiser were broadsheets; Melbourne had a popular tabloid called The Melbourne Sun, which no longer exists; I also wrote for The Daily Telegraph and Hobart Mercury. And my first page one was the bogong moth invasion of the new House, which is- and these were the numbers that didn't matter. The estimates were 20 million, 50 million, 100 million; it didn't really matter

what you wrote, it was going to get onto the front page.

But after that, of course, we very quickly went into a boom and then a bust, so it was a pretty exciting time, a pretty challenging time to be an economics correspondent.

My first Press Gallery Dinner at the end of that year in 1988, John Howard was the then-Opposition leader. I can't tell you what he said because the convention that the Press Gallery Dinner at the end of that year be off the record, the convention still held at that point. It was two years later that Paul Keating decided to shatter that convention and also launch an unofficial leadership challenge against Bob Hawke. Now, the interesting thing about that speech, the Placido Domingo speech, some of you are probably very familiar with it, I went back to it because there was a couple of things I wanted to remind myself of, one of which was the observation that Paul Keating made at the start about the role of media, and remember, this speech was given in December of 1990. Whether he intended for it to get out or not doesn't really matter anymore; the speech is published and you can look it up if you want to read the thing in full.

But the interesting thing for me looking back is how much has changed in the media in the intervening two and a half decades. So, in 1990, and this was the part of the speech that actually got my hackles up as a young journo, I was obviously picked the sort of subliminal sledge of Bob Hawke, but the more

concerning thing for me was about how he began it. He began it by addressing the journos in the room and issued a challenge to them: in public life you're either a voyeur or a participant. And I'll read you the exact quote, because the context is very important to remember and I sort of used this as a bit of a frame of reference for what's changed in the relationship between politics and the media in the last two and a half decades. The setting, of course, was that the previous night the then-Secretary of the Treasury Dr Chris Higgins passed away, he collapsed after running a mini-marathon, and Paul Keating was feeling a little morose, I think, and he wanted to pay tribute to the public servant.

And he said of Chris Higgins that he made a serious contribution to Australian life but received very little public acknowledgment for it. He did his job quietly; he did not big-note himself. In other words, he was the perfect public servant. Then he drew the link between the work Chris Higgins did in the Treasury and the work that we did in the Press Gallery: I suppose what I wanted to say to you was that this game is all about whether you want to be a participant or a voyeur. Chris Higgins was a participant and a participant by choice, and that choice remains to all of us in public life and in journalism. I think that most of you are participants; you are serious about what you are doing.

And here's what I remember thinking at the time, and it's actually interesting to re-read that quote with the benefit of hindsight. I thought it was a bit rich. He didn't exactly say he wanted us to barrack for his

economic reform program; he understood that his job was to persuade us. But he was still asking us to join him in telling his story. You've got to join in the national revitalisation and what I've got to do is convince you to join in with us. Now, a very fine line between participant by a policy active journalist and a player and then ultimately a partisan.

I think in those days the Government of the day, the Opposition of the day, and the Press Gallery knew where that line was drawn. And in fact I'm making this comment separating the Press Gallery from the observation I'm about to make. I think in the intervening two and a half decades that line has become a bit blurred and a lot of the commercial media- I'm going to leave the ABC out of this and I'm not going to name names because I think that is a bit of a slippery slope, because I think most people come into journalism with very good intentions. But I think the thing that's changed in the last two and a half decades is that a) politics expects reporters to choose a side, and b) - and this happens more in head office than it does in Canberra and in the Federal Parliamentary Press Gallery, it doesn't happen in the Federal Parliamentary Press Gallery - some commentators have decided to pick a team.

Now, in that world, it is very difficult to have the sorts of debates we had in the '80s and '90s where both sides of politics could agree what the problem to be solved was and the argument would be about the means to that end. Today I don't say that the media is unnecessarily partisan or that we've gone down a dark

tunnel towards that sort feral tribalism of the US, but you can see it on the horizon if the present situation continues, where people in public life expect journos to choose and some journos, not the majority, some journos - probably because they don't know any better or probably because of time pressure or the jobs that they're operating in - decide to pick a team.

Now, it is typical today for a minister, a leader, to only talk to journos who they think is on their team. Other journos who may or may not be on their team are sort of scrubbed by guilt by association or they work for the wrong organisation. Media organisations themselves don't see each other as competitors anymore, they actually see each other as ideological rivals. Now, I can't tell you how many journos and commentators I've muted on my Twitter feed so I don't have to read their petty feuds when they stop to talk to one another. In rather weird tones- like, I expect people to talk to each other in this way about their footy club, not about the paper they work for, the broadcaster they work for, the team they are supposedly following in politics. And most of them aren't actually following a team, but there is a projection onto them because of the type of work that they do from people in what is our journalistic community.

Now, I don't have a problem with competition but I do have a problem with that level of tribalisation where outside of politics and a cluster of commentators spend part of their working day trolling other members of the media.

Now, I sort of believe that is a bit of a- couple of elephants in the room to address; one is being on the wrong side of a lectern from my perspective, but the other thing is I think that change in the media is not irreversible. I think the structural reason for the change in the relationship between media and politics is that politics itself can't define an agenda for the 21st century. Now, this isn't a party specific observation; I think this is a general observation you can make across Labor, Coalition, even Green, National, and independent.

One of the reasons why our debates are so polarised is that the first call on your attention as a voter is from somebody running a very, very partisan observation to the base. Now, most voters will do the rational thing and tune out and the conversation between politician and the base becomes noisier and noisier and noisier, the evidence tends to slip out of that particular conversation because it's just about reaffirming what your gut instinct is on this or that issue.

Now, the reason why I wanted to set this conversation up about Melbourne and Sydney in particular is that there've been some forces unleashed over the last 10 or 15 years which are irreversible. And that is simply the way the country operates in terms of its overseas migration program. Now, the way migration works today, it is doing things to Sydney and Melbourne that is going to guarantee separation from the rest of the country. Now, politics is having a debate about migration out here; about what a good migrant is, what a bad migrant is, what Australian values are, whilst on

the ground the way the migration problem- program, sorry, the way the migration program operates is unleashing forces which politics can barely comprehend.

Now, the electorate is well and truly up to speed on what is happening on the ground, so the concerns about housing affordability, the concerns about congestion, the concerns about service delivery, energy, telecommunications; these concerns are all concerns that a country growing really quickly, in some parts of Australia, has. These are also concerns in the parts of Australia that is not growing as quickly have because they don't have these services guaranteed to them and I'm going to run- I'm going to pose a question instead of framework. I'm going to try and remain a journalist and not be an advocate. Not quite a voyeur; certainly a participant but not a partisan.

So I just want to basically walk you through the steps of what's happened in the last 15 years in Australia. The thing that's right under our noses, the thing that politics, whilst it- even with the best intentions might from time to time try to engage with, but the thing that needs to be discussed. And the thing that needs to be discussed is: given the forces that were unleashed in the 21st century from globalisation, from deregulation of the economy, from deregulation of the migration program; what is Australia going to look like in the next 10 or 20 years? And if you let these forces run without checking them, is that a country you want to end up with?

And one of the reasons why I've come to Melbourne and Sydney as the sort of beginning and end of this debate, is that they're doing fine at the moment. The mining boom ended about five or six years ago, Queensland and WA are going into retreat as state-based economies. Melbourne and Sydney today account for a larger share of the population than they did at the post Sydney Olympics in 2000. Between them they had about 39 per cent of the population in 2000/2001. For the last completed year where we've got stats, they're at 40. They've actually stepped up a percentage point. It's actually very difficult for two cities to grow faster than the rest of your country. You would have thought that other parts of the country, when you're carrying a mining boom and a few other things, would keep touch with Melbourne and Sydney.

Now, as a Melbournian I like reading that story every year about how we're the most liveable city on earth and I like seeing us about five or six places ahead of an Adelaide or a Perth or a Sydney. But something interesting happened last year when The Economist completed its annual stocktake of cities around the world; Sydney fell off the top 10 for the first time. Sydney's population crossed 5 million for the first time last year and before I talk about why you need to think about sharing the population story across the continent, the first reason you need to worry about it is that it's not in the cities' interests to get too big too quick.

Now, what happens when The Economist measures up a city and it decides whether it's liveable - all the things

that it pops into its computer - it tends to spit out like cities; rich cities, not that congested, not that dense in terms of their population, but cities in around the 2, 3, 4 million mark; not 5 or 10 or 15 or 20. So entry to the top 10, entry to the most liveable city in the world is a population around 2 to 4.5 million. Melbourne's at 4.6 million now. So while Sydney was staying in that top 10 for a few years, it fell out last year and one of the reasons it fell out last year: increased crime and congestion. So these are the things that when you do measure cities around the world, start to count against you. The bigger you get, the harder it is to maintain. Now, liveability is a proxy for living standards and it's also, in the Australian context, a proxy for equality of opportunity.

Now, as I say, the first and foremost reason you would think about decentralisation is in the interests of the cities themselves. You don't want them getting so big that they begin to cease working.

Now Ken Henry, when he was Treasury Secretary, he said the one thing that kept up awake at night, more than any other issue, was when Sydney ceased to function. And he worried about that because what would sit across his desk is the numbers that would come across, a big part of the national economy, but grid locked. And so urban congestion, environment degradation and the other stuff that comes from the city that no longer functions as well was concerning him 15 years ago.

He also did say - and he said it for the record, so if there are any politicians in the room: don't take it personally - he also thought that the political system couldn't handle the growth in the first decade of the 21st century. Now, in that first decade of the 21st century, the population increased by 3 million over the course of that decade; in each decade, from the end of the Second World War to the end of the 20th century, it was increasing across a decade by about 2 million. So there was an extra million people to accommodate in the first decade of the 21st century. I'll tell you where they came from in a minute. He didn't think that the political system could handle that extra million. We're now, on present trends, looking to be handling an extra million and a half of the experience of the 20th century; so we're heading towards 4 million a decade, rather than 3 million.

Now, the single biggest driver of growth is overseas migration. Now, overseas migration is obviously a subject near and dear to my heart; I'm now officially almost in the majority of the population - second generation with Greek parents. I don't intend to stand for Parliament so I've got no idea if I'm a dual citizen or not.

[Laughter]

I assume I'm not because it's actually very hard to maintain a Greek citizenship especially when you don't ask for it.

[Laughter]

And when I say half the country is either first or second generation, that story applies particularly to the ACT, to New South Wales, to Victoria and Western Australia. The other states - Queensland, South Australia, the Northern Territory and especially Tasmania - are the sorts of places you'd expect politicians in the future to come from because the majority is third generation or older.

So when you get a national story of 28 per cent people born overseas and another 20 per cent roughly second generation - that gets you just under half - in Melbourne, Sydney and Perth, you get the two-thirds. You get about 35 to 40 per cent born overseas, another 25 per cent are second generation. These are big numbers. Now, let me give you these numbers as they reflect in our history: the last time that Melbourne or Sydney had that big a first and second generation share of total population would have been the 1870s. Nationally, the migration story is the most extraordinary story we've had since the end of the 1880s.

Now, the reason why Melbourne and Sydney concern me - and they don't concern me because they look like Australia as I imagined it today; more Eurasian than European - it's because it's only in Melbourne and Sydney that this story is playing out in the 21st century.

So take it back a step to the numbers that Ken Henry would always refer to: the two million per decade after the end of the Second World War to the end of the 1990s. A bit over half of that two million would come

from net natural increase, with the balance coming from overseas migration.

Now, some of the numbers can be a bit bamboozling but towards the end of the nineties we were bringing in about 80,000 people a year as permanent settlers. The current number is 190. Now, that 80,000 a year towards the end of the 1990s, about two-thirds were family reunion and one third was skilled. That 190 is now close to 70 per cent skilled. So literally, the extra 100,000 plus people a year we're bringing in from overseas, the extra million over the course of the first decade of the 21st century, are carrying skills. Not just skills compared to previous migrant waves - so my parents: factory workers, railway signalmen, cleaners; start at the bottom of the pile and you measure the sort of success of the program across a second generation education achievement with the kids, the Australian born kids - the migrants that arrive today, on average, are better educated than the population at large and a little younger than the population at large.

Now, there's a particular figure that I dug out of the census and I- no, I can remember it so it doesn't really matter. In the 20 to 29 age bracket, Australian born, those that have Year 12 at least, about 72, 73, 74 per cent of the population; amongst the overseas born in that same age group, 20 to 29 - so this is sort of the life blood of your community, your future leaders - 87 per cent. So, typically a new arrival is better educated than local born population. Now, that is, for me as an advocate of mass migration, quite a good story to tell.

But, and this is the big but and this is why some of you who might have read some of the stuff I've written recently might appear a bit contrary in terms of my world view, my concern is that the political system doesn't actually understand the distribution of the success. It clusters in Melbourne and Sydney. Three out of four of all Chinese born Australians live in Melbourne or Sydney. Just under half the Chinese in Australia today live in Sydney. And they cluster in around 10 or 12 high income postcodes. But over- a bit under two-thirds, under 65 per cent, of all the Indian born in Australia cluster in Melbourne and Sydney.

Now, just to paint you a picture of where your global role models are, they are these two cities which are attracting the best of the best from the region; but only those two cities. So when you've got- in a macro sense, cities reaching that tipping point of where liveability is harder to maintain, and what's driving your growth is a skilled migrant; what happens next? What happens 10 years from now if Sydney and Melbourne continue to grow apart from the rest of the country?

Now, most economists will tell you this: if you dial migration back down to zero, within a year you'd run out of workers, and by about 2024 the population would start to collapse because of aging. Now, obviously nobody's advocating zero net migration, but there are a number of regions in Australia today that are already at zero net migration and their populations have fallen. Now, I'd love to be able to spread the benefits but I-

Now I just want to talk about in practical terms about how you would frame the question, how you would frame the decentralisation question; i.e. how would you stop- and this is really the fundamental question for me. Melbourne and Sydney are on track to be about 8 million each by the end of the century; we're already 40 per cent of the population between the two of them, a much larger share of the national economy, pushing towards half the national population in the second half of the 21st century. We want to stop that from happening. Now, that would make sense to stop that from happening, but how would you stop it from happening?

Would you - and I want to frame the question and I don't know the answer yet - would you try to divert skilled migrants to the bush or to other cities? Evidence tells you that even if they start somewhere else, they'll end up in Melbourne or Sydney. Or would you try to facilitate some sort of internal transfer, i.e. increase the rate of internal migration? So as the Chinese and Indians come in, maybe the old Greeks and the Italians move to Newcastle or move to Canberra or move to Geelong. I don't know. To be honest, I don't know how we could play it but you have to think about doing it.

And the doing it means federal, state and even local governments have to have a constructive conversation about population policy. Not: can I dial it down to zero; but: where do I want it, knowing that it's coming.

Now, I'm going to take you, firstly, on a quick tour of the past. Now, decentralisation has a bad name

because we've been talking about it for about 120 years. In fact, one of the earliest decentralisation quotes I've dug up - and this is well before Burley Griffin designs Canberra, because Canberra in a way is a bit of an urban decentralisation scheme - Henry Lawson, writing at the peak of the land boom in 1890, it was one of the first in a series of articles he flew the flag for decentralisation and get this, he says this in 1890: if some of the circle suburbs of Sydney were shifted up country a few hundred miles, New South Wales would greatly benefit by the change. He's obviously thinking in colonial terms. So Sydney was already flawed to Henry Lawson in 1890.

[Laughter]

At the end of the First World War - and this is where decentralisation really gets its bad name because of all those soldier settlement schemes that turned out to be uneconomic - Billy Hughes said: if we cannot create conditions - and he told Parliament this in 1921 - if we cannot create conditions which of themselves will ensure an influx of the right kind of population, the kind which will enable us to hold as well as to develop this country, we are undone. By the right kind of people, he actually meant farmers. Now, whether he meant white farmers or Italian farmers or Greek farmers is off topic; what he actually meant was he wanted a population policy for the bush. He actually wanted to cap the growth of the cities. All of us are agreed that it is of no use to call more people into our cities - he's saying this in 1921 - we have a few great cities strung along the fringe of this continent like

glorious flaming jewels but inland there is an almost barren countryside. There is no way of overcoming the handicap of our empty spaces but by encouraging more and more people to go out upon the land.

Now, Gough obviously- Gough Whitlam did a version of this. Now, in his language, in the early 70s he was actually talking about city and farm. We associate his decentralisation agenda - which we sort of instilled it at birth - in around the Albury-Wodonga scheme. But he was actually talking about more people on the farms. Now, the settlement part of the moment is that Australia always - from the earliest part of free migration in the 1830s and 1840s - was urban dwelling people and we do tend to hug the coastline.

Now, when I think about decentralisation I actually think about decentralisation a little more mechanically than stopping people from coming to Sydney or Melbourne and plonking them somewhere in a region. I think decentralisation is a first step amidst a bigger conversation about which of the small to medium sized towns can become urban entities unto themselves. That's why I think about Newcastle and Canberra and maybe Wollongong and maybe Geelong and maybe Ballarat - this is in New South Wales and Victoria alone. The bigger discussion about what happens in Queensland and WA- I think it's sort of unproductive to think about a thousand regional communities blooming. I think, in the structural sense, the Commonwealth Government can think now about where it wants people to live and building the sorts of connections between these places to give people the

opportunity. If they choose not to, well they may need to think a little more seriously.

Now, I just got given the bell which means I've got 5 minutes to go. Can I pinch another 5 minutes?

Okay.

UNIDENTIFIED SPEAKER: [Inaudible].

GEORGE MEGALOGENIS: I don't want to be a politician.

Now, I'm going to take you- the other reason why you need to think about decentralisation - and this is the political reason; so there is an economic argument, there's a liveability argument, there is making sure that other parts of Australia are connected to places like Melbourne and Sydney - the other reason to do this is that the rest of Australia doesn't look anything like Melbourne and Sydney do today.

Now, some of you may have read these stats. I'm going to give you the world's quickest tour around Australia, and I'm going to go counter-clockwise as per the old gold rushes. And I'll begin with the proposition: what is the most Australian city or town? And I'm not going to throw the questions yet; normally when I ask an audience the answer, some people will say Adelaide, some people will think of Melbourne, but the answer is actually Newcastle. Newcastle is the only major population centre in Australia where the top five immigrant groups are in the same order as the nation

as a whole: English first, Kiwi second, Chinese third, Indians fourth and Filipinos fifth. No other city or town has the top five in that order. So only Newcastle is like Australia which means that the rest of Australia doesn't look anything like its neighbour and that is the critical point.

If you go north to the Gold Coast and to Brisbane, you find the number one immigrant group are the New Zealand born. You also find - and we'll just go to Brisbane - you'll also find that the Chinese are underrepresented compared to the nation at large, you find the South Africans are overrepresented compared to the nation at large, the Indians are underrepresented compared to the nation at large. By the time you get to the Sunshine Coast - and remember we're going counter-clockwise - you come to the whitest part of Australia. English are largest immigrant group, Kiwis second, South Africans third, Germans fourth, and the Americans fifth. I always laugh when I see this stat. Did they leave because of Bush? Did they leave because of Obama or did they anticipate Trump?

[Laughter]

I'm not sure. The Chinese aren't even in the top ten on the Sunshine Coast. So, you're only about an hour and a bit north of Brisbane and you're in the whitest part of Australia. And it starts getting a little more diverse as you head up towards Townsville. But now just jump across to Darwin, and you've got the first of the three capital cities in Australia with an Asian community as

the number one immigrant group. That's the Philippine born. You flip over to Perth, the English are number one, and the English are number one by a score well in excess of their White Australia distribution. I'll often ask friends in WA: what gives? And they said it's possibly a Neighbours effect. So for 20 or 30 years, they're watching Neighbours at home in miserable England, and the one part of Australia that their friends and families tell them looks like Ramsey Street is Perth.

[Laughter]

It's a true story because you don't have the same population flow of young English migrants to Melbourne or Sydney. Now Adelaide, again, it looks a bit like Perth with the English at number one. Get to Hobart though - and this is the first one that jumped off the page for me - the English are number one but the Chinese are number two and they're rising quickly, Kiwis at three, Indians four and Germans five which is the older migrant wave. So then when you get to Sydney and Melbourne - and this why I think this is a really good story, and this is why I think this question needs to be framed rationally not emotionally, it's not about race it's actually about the [indistinct] clustering in these two cities - and as I said before 75 per cent of the Chinese are in Sydney and Melbourne. The Chinese are the number one immigrant group in Sydney today. The English are number two, but not for long. The Indians are number three and about to overtake them. In Melbourne, the Indians are already number one. Now in present trends, the Chinese or the Indians are in a race for number one in Canberra.

We are in, the next five or ten years, going to be in a situation where five of the eight capital cities in Australia have a Eurasian face, an Asian face as the top of the ethnic ladder, market ladder, but a Eurasian face. The other parts of Australia are not just whiter than Australia as a whole, but they're much whiter than these parts of Australia. Now holding that country together politically is going to be a diabolical challenge. If - and this is a big if - if politics ignores the population story, it's going to get bitten on the backside by the separation, economic and racial. It's going to get bitten on the backside by it in the next 10 to 20 years and it won't know how to put it back together again.

Now, I don't mean to end on a darker note but one of the reasons why Melbourne and Sydney are getting too big for the nation's good is that Melbourne and Sydney already showed us what the nation's future is. The rest of the country needs to start looking like that sooner rather than later otherwise it will be impossible to connect Melbourne and Sydney to the rest of Australia. Now, Melbourne's going to be bigger than Sydney in the next 10 or so years. Good luck to the Sydneysider when they figure that out in terms of the chip on their shoulder.

[Laughter]

But predictions like this have run aground in the past and Melbourne may have already reached a tipping point where it becomes unliveable, so it might not come to pass. But when that day happens, it won't be another manifestation of the Melbourne and Sydney

rivalry. It is no longer Melbourne V Sydney or Sydney V Melbourne; it is Sydney and Melbourne V the rest of Australia. And as I say, I just want to frame the question: how you fix it- sorry, how do you prevent it from becoming a problem - is probably the best way to frame the question - is really up to politics and the public servants and the community.

That's as much participation as I could offer you for the moment. I much appreciate you listening. A bit of an experience, it's sort of like being on the wrong end of the lectern at your old school, so I'm much more comfortable down there.

[Laughter]

But I appreciate the extension on time, Sabra. Thank you.

[Applause]

SABRA LANE: Thank you, George. Plenty of food for thought there. I want to take you back to a previous Prime Minister, who said he wanted a big Australia and yet you've got Australian businessmen in recent months - Dick Smith, for example, has said that we drastically need to curb the number of people coming to Australia. He's deeply uncomfortable with 180,000 people, 190,000 people a year that are coming here. He's saying that it should be dialled back to at least half. Is that the kind of conversation that we need to be having?

GEORGE MEGALOGENIS: I think if you have that conversation you very quickly come to where you need to be. So if you take those sort of Dick Smith, sort of radical intervention- now, I know he said you could do it in stages, but the facts - and this is a fact for every rich society on earth.

Now, I don't view the aging population as a bad thing, it means that people are living longer, but it is certainly the case since the birth rate had come down after the end of the baby boom - and our birth rate has been stable for about 40 years now - but it's barely at replacement rate. So essentially what happens, and it's easy to think about this in terms of workers, the number of people leaving the workforce, retiring each year, are barely covered by the new entrants to the labour market from the local born population. So we'll run out of workers within a year if we go to zero. We'll just run out of workers a little longer if you dial the intake down from about 180, 190 to half that. If that's the answer to the question, then you're probably not thinking strategically.

So what happens when you dial down the intake? You run out of workers, the economy slows and ultimately falls off a cliff. Now, you might say, well, any- I do hear this phrase, I don't know if Dick uses it, but some economists talk about population Ponzi schemes and they think migration is a population Ponzi scheme, you can't just keep adding people and you can't just let the property market in Melbourne or Sydney, and to a lesser extend Canberra, be the driver of your growth. True, if that's the only reason you're brining people in, but that's not the reason we're bringing people in.

People are coming in because we don't have enough ready-trained workers to take the jobs that are on offer. So there's the skills side of the economy, but there's also the aging side of the economy. We also need somebody to service our aging population.

So good luck with a lower migration intake trying to balance those two needs: to keep growing with a skilled workforce, to give your own kids a better opportunity, and also to look after that part of your population which is aging.

I think the better question- and this is why I'm trying to frame it in terms of where do you want people to be living. So I'm not saying dial down the intake in Melbourne and Sydney and spread it around the rest of the country; I'm saying don't let Melbourne and Sydney get to 8 million each. So I think Dick Smith's intentions are good, I just think he's maybe letting his emotions drive his analysis. I'm trying to be a little more- what's the word for it, I know you end up sounding like you're a bit too smart for your own good if you say that you're being rational. This is an emotional debate and I'm trying to take the emotion out of it to the extent that you can.

SABRA LANE: Simon Grose.

QUESTION: Simon Grose, George, from Canberra IQ. First I'd like to endorse what you said about the media and the partisanship or the change in the [indistinct]. I think we came to Canberra about the same time. I remember you as a young journalist and me as a reasonably

youngish press secretary in the Hawke Government talking about things.

GEORGE MEGALOGENIS: We haven't changed a bit.

QUESTION: And the thing that disappoints me about that is the antagonism between the different media outlets and the time and effort they spend bitching about each other and writing stories about each other. I can proudly say that Canberra IQ, we stand aside from that.

[Laughter]

One of our mottos is no spin, no analysis, no ads. But going to the topic; you're a wimp, you've just been struggling the frame the question.

GEORGE MEGALOGENIS: [Laughs] No, that's alright. I'll take advice.

QUESTION: But there's a lot of things I can ask you about. One of the things you said was the Federal Government and the state government and maybe local government has a role. I reckon you could think about reversing that priority. The local government sector, councils, are the ones wanting to promote and grow and enhance their economies, their communities. The further you get away from the ground, the less efficient the effort and the spending of money is. So why did you- are you trying to- are you devaluing local government's potential role in this?

GEORGE MEGALOGENIS: No, I don't think- That's a good question. I'm actually not devaluing the contribution of the local government or local councils, say, at the town level. I guess the headline point is: the Commonwealth's got the chequebook and the closer you get to the ground is where you want your decisions made. So I guess what I'm really looking for is a situation, not a benign handout from the Commonwealth, but a situation where the Commonwealth can return to its first principles, which is to fund services but let the services be allocated on the ground.

Now, one of the other big things that's changed in the last 15 or 20 years, or over the 30-odd years of my humble career, is that the idea of who can best deliver service flipped in the early part of the last decade. Voters, for whatever reason, think the Commonwealth should be delivering the services. Now, that's what led people like Kevin- what's that?

QUESTION: [Inaudible question].

GEORGE MEGALOGENIS: Well, no, no. They're actually expressing frustration in the states. In the first instance- I've seen this in research and I've interrogated it with premiers who were all very disappointed when they found out about it. Frustration with the states in the early part of the last decade in and around water security was the first one, and then transport, health, education. So the voters' first instinct was, well, the Commonwealth should do it. What the political system responded- and you know that they responded to this advice - why else would Kevin Rudd do a Pink Batts; why else would Julia

Gillard do a Building the Education Revolution program?

My take out from that experience is, okay, you've had your fun, now go back to first principles: you're the funder; the person who delivers the service is the one on the ground. Now, it may well be that local government- in fact, contestable funding between local and state might not be a bad way to think about it. But as I said, wimp or not, I want to frame the question, because if I start haranguing you with solutions I can guarantee you get a switch off on the hill here. I want them to be able to think, and in a funny way I want the language to be de-tribalised and de-politicised as well. Even population policy is a bit of an emotional term. But if you frame the question in terms of stopping Melbourne and Sydney getting to 8 million each, you'll probably get people in Melbourne and Sydney voting yes, you'll probably get the rest of the country voting yes, and then start to think about practically how you do it. Now, I don't underestimate local government.

Just one other thought; competition between regions for people is probably not a bad thing. How would you facilitate that? I don't know an answer to that. So as the Commonwealth lay the markers down, they connect places with rail, but the idea of who goes where and what would attract you, it's not moving a government department out in the middle of nowhere. It's about putting a decent education system that'll attract kids, it's about art, culture. Newcastle is actually not a bad little example. So Marcus Westbury, I don't know if people are aware of his work. The revitalisation

of Newcastle's centre is one of the great untold stories in public life in Australia today, and a bit more of that energy wouldn't go astray.

But, you know, you're right in terms of the assumption of your question. I did overlook a tier of government, but I don't want to get in a complicated space of trying to figure out which one to abolish.

[Laughter]

Because once you start me on that topic I'll want to knock one off.

SABRA LANE: George, if you're talking about decentralisation, especially looking into the future, we need really good access to the digital world. Is the National Broadband Network going to be serving that purpose?

[Laughter]

GEORGE MEGALOGENIS: You're trying to get me into politics now.

SABRA LANE: [Laughs]

GEORGE MEGALOGENIS: I think the thing about the NBN and also the energy debate that we've had the last couple of years, I can wax lyrical about the deregulation in the '80s and '90s - a bit of a joint project between Hawke, Keating and John Howard - but I can tell you this thing that they got wrong - and which the public knew from the start -was privatising big public monopolies and handing them

over holus bolus to the private sector. And so what we're actually seeing with the NBN is an attempt to return the country to that debate between Beazley and Keating in 1990 before you open Telstra as it was formed to competition, you separate out the network. It didn't happen then, it didn't happen when Howard privatised Telstra and now we're paying probably twice as much as we should to reverse engineer it via the NBN.

But the NBN is (a) more expensive and (b) lower quality which tells you that muscle memory for intervention is pretty weak. And that is absolutely one of the reasons why, not just the trains, not just decent health, education but connected in every sense of the word; so we're not talking about physical infrastructure, we're also talking about digital infrastructure. It's almost non negotiable that we're going to have this debate. But this is what - getting back to Simon's point - this is why the Commonwealth needs to think that it's going back in the spending game but not the delivery of the service; it needs to be writing the cheques and it needs to be thinking about writing these cheques because the alternative is much bigger budget deficits to handle the dysfunction.

SABRA LANE: [Indistinct].

QUESTION: Thanks Sabra. George, yassou. Tim Shaw from 2CC *Breakfast* Canberra, thank you so much for joining me on the program this morning and you talked to me about the fact that the federation has stood in the way. I'd like you to expand on that. The Chinese and Indian

friends that I have, have all bought investment properties and homes very close to railway lines. They're used to travelling by rail, they understand transport access. Could you rank for me a portable housing jobs and transport and how Canberra can best benefit from that? Four hundred and five thousand Canberrans live here now. We're trying to get the New South Wales Government to understand the benefit of faster train and rail link between Canberra and Sydney. So, how has the federation stood in the way? What's the fix it there? And what's your advice to the 'berbers (*) of Canberra?

GEORGE MEGALOGENIS: This actually picks up from Simon's point about whose responsibility this is. So the Commonwealth is theoretically neutral in this debate. The New South Wales Government would obviously like to contain as much of the growth within its state boundary. The ACT sits within its state boundary but is a separate territory. Sydney's interests in offloading - to use the Henry Lawson phrase - offloading a spare couple of hundred thousand people who would otherwise live in the western corridor to Canberra makes perfect economic and social sense to me. It makes perfect sense. But you'll never get a New South Wales government saying it wants to kick 200,000 ratepayers out of its territory. So the Commonwealth has to figure out a way to connect Canberra and Sydney to mutual benefit to Canberra and Sydney and the rest of New South Wales. And let's not forget the rest of New South Wales there because once you start building the connection between these two cities- now I don't want to get into the fast rail debates because …

UNIDENTIFIED SPEAKER: [Indistinct]

[Laughter]

GEORGE MEGALOGENIS: So after the bogong moths, I think the second or third story I covered after a shocking interest rate rise was a Treasury writing off the VFT in about '88 or '89. Simon, do you remember that?

QUESTION: Yeah, I do remember that very well …

GEORGE MEGALOGENIS: [Laughs] And what was that, model number six and there's 200 we've had.

QUESTION: Yeah, it was a bit shifty.

GEORGE MEGALOGENIS: No, it was shifty because they asked 10 years worth of tax write-offs up front. They literally asked for a billion bucks for nothing and we'll build it for you if you give us a million bucks.

QUESTION: Same problem now.

GEORGE MEGALOGENIS: Yeah, it remains the same problem now. But I think that is the first thing for Canberra. Canberra needs to figure out a way to be connected to Sydney so it is potentially a commuter for a Sydney resident, a commuter suburb for a Sydney resident. You know, the way Florence is connected to Rome. Have you taken that train?

QUESTION: [Indistinct].

GEORGE MEGALOGENIS: You can live on the weekend in- well, you can live on the train if you want to try it.

[Laughter]

I mean, I'm beginning to sound like Tim Fischer now but I think trains is the first thing you would need to think about.

Now in terms of how Canberra would pitch itself in the competition for people, I think it's already going to win that contest. So the city that Australia spends a lot of time talking down because of its political connection is actually the city closest to the ideal middle class Australian city. So smallest income gaps of any of the capitals and quite a liveable place, although- now let's get political. Okay.

So I did notice- because I was talking to a couple of people about the argument you've had about the light rail. Now the thing that annoys a lot of people in Victoria is if the Labor Party comes with an idea to expand the train network, the Liberals say: well Labor talks trains, we've got to talk roads. So you know what happened at last Victorian election the big road project, the East Link gets put on the table, contracts signed and literally at an hour before the caretaker provision, Labor government says we're not going to proceed with this and we'll pay them a billion dollars not to do any work. I think you had something similar at the last ACT election here on that light rail. So when you were thinking before where is the problem, the problem with the local level and the problem with the

state level is this weird binary over infrastructure. It's either my project or nothing gets built. Now, that is another big change in politics by the way. Could you imagine coming out of that Labor Curtin, Chifley Government, Menzies says: right, I've got this note on the table, I'll complete this project and then not use it or better still I'll stop it. Now people only just started to think this way in the last few years and this is where the toxicity of tribal politics gets in the way.

So here's where I contradict my own argument. There is no generation of politicians I would trust least with the responsibility for what I'm talking about and that is a problem.

[Applause]

I don't mean to be a downer about it but there's no other generation of politicians I would trust least with the problem solving ahead of us.

SABRA LANE: Is that part of the problem - picking up on your argument about journalism being tribalised - the candidates now going into the major parties, when we're talking about candidates having proper life experience, they're either union officials or lawyers or party officials, a larger portion of them these days - on both sides; is that part of the problem too is that that's all they know, they're spear-throwers.

GEORGE MEGALOGENIS: Yeah, so that's the interesting thing about- We hear this- both sides will tell you this, obviously. Gary Gray talked about this when he left Canberra the first time

as National Secretary, you talk about the white bread politician. He didn't mean white by skin colour or rich parents, he meant the same person, cut from the same loaf.

John Howard worried about it towards the end of his period in office that even though it was more a problem in the sort of machine man, there was more a problem on the Labor side, he started to detect a bit on his side. I think a lot of this sort of- and it's weird, it's ideological but it's not for any purpose other than to continue the fights that started with student politics.

Now I know this is a bit of a sweeping generalisation and I can think of more examples today in the Federal Parliament who are not like that than who are. So I hope there's a bit of a - pardon the jargon - cohort effect here where the half generation that's followed that machine generation have observed how the Rudd/Gillard/Abbott and Turnbull governments under the federal sphere have conducted themselves and think: that's not us. So you hope that the corrections are already underway but it is an issue where politics- [indistinct] involve quotas, celebrity driving people.

SABRA LANE: Hollywood for ugly people.

GEORGE MEGALOGENIS: Hollywood for ugly people because now nobody wants to be in Hollywood because Hollywood has got another connotation.

But I think it's a lot harder- it's not so much it's a lot harder if you haven't lived in the real word to know

what real world problems are, I think the incentives when you've been tribalised at an early age to continue the fight are too great so I think some of these other issues that do need to be discussed are very difficult to just- because you always have to go off script. You almost have to start a new conversation. It is certainly a conversation the community understands. There've been some really big shifts in public opinion in the last 15 years whilst the tribalisation of politics, and to a lesser extent the media, concerns us in this room; the Australian community for the first time the incentives are in favour of the renter and new home buyer. So politically there is permission to do something to penalise existing the homeowner which if you think about the pathologies of the Australian character, the quarter acre block and the dream, people are actually much more practical in terms of some of their wants from the system but they're very difficult things to convince people who are into tribalism. Let's not under estimate how the tribalism got souped-up by the digital age. So the media environment we're operating in now, the idea that you're either on the team or you get trolled is something that is permissible because the media let you do it and these temptations are things that people have got to work through.

SABRA LANE: Tim Colebatch.

QUESTION: George, Tim Colebatch from *Inside Story*. I'm a little perturbed frankly that you've come here and told us that this is the big issue, how do we move people, move the population growth in Sydney, Melbourne, to

the rest of Australia and a mind as creative as yours is not coming up with solutions.

[Laughter]

QUESTION: And I want to press you on that because you must have thought about it.

GEORGE MEGALOGENIS: I have thought about it but, yeah, just understand I am trying to frame a question …

QUESTION: Yes, I understand that. But you've ruled out the obvious, the most obvious solution, which is to reduce immigration and I'd just point out that the reason we're seeing the growth in cities is because the migrants are going to the cities and the migrants are taking the full time jobs. Up to last year - it's changed this year - but up to last year since the GFC, 364,000 full time jobs have been taken by new migrants and only 110,000 by everybody else, the old migrants and the Australian born, and that's happened because people are being brought into the cities either by study or by the employers …

GEORGE MEGALOGENIS: And state governments.

QUESTION: Oh, well yeah some of them are state governments but also there's a lot of private enterprise too and the Commonwealth Government too. You have a look at the NBN office in Melbourne and see how many Australian faces you spot walking out of it.

Anyway, I just want to press you on that because I was around and old enough to be around in the 1970s which was the only time Australia took decentralisation seriously. And then were rows about where do you do it? Do you do it on an across the board basis by trying to give subsidies, as the Hamer Government did in Victoria, to country industry generally; or do you take the Whitlam Government's approach and try and build up particular cities, and then it had disputes with the state governments about which cities to be built up. Dunstan wanted Monarto built up as a growth centre, others didn't see Adelaide's growth as a problem and the New South Wales Liberal Government wanted to develop Bathurst-Orange as its big growth centre and- anyway …

C'mon, you must have some thoughts in your mind, George. I know you.

[Laughter]

GEORGE MEGALOGENIS: Weirdly, one of the thoughts is to further diversify the migration program, and that is to start recruiting low skilled migrants again and plonk them in regions. That would be- that's quite a radical intervention because it assumes an increase in the intake. One of the reasons you want to do it in the long run is to maintain diversity in the program which is one of the things that maintains cohesion, you don't have two or three dominant groups.

The other thing is - and I think I alluded to this earlier - I think the simplest thing that a government can do

without picking a winner - i.e. picking which region they want to promote - is to connect them to the capitals, is to connect as many parts of the regions to the capitals. And the first order of business is to make a Newcastle to Sydney or a Canberra to Sydney connection functional, and make a Geelong to Melbourne or a Melbourne to Ballarat or Bendigo connection functional.

Now the question on the migration intake; now, you do realise that the full time jobs we're talking about since the end of the GFC are the net addition. So these are the jobs created since the GFC. So in the absence of overseas migration those positions wouldn't have been filled because the local born population …

QUESTION: [Inaudible question].

GEORGE MEGALOGENIS: No, no, no, no, it wouldn't have been filled by local born population because the local population's ageing. So the people leaving the labour market are basically cancelling out the new entrants. Bob Gregory has given a brilliant paper on this. Bob Gregory knows a lot more about this than I do and it is not a migrant takes the job of a local worker, it's a migrant adds the job because otherwise there isn't a local worker for the extra job. And that's the math.

Now if you were to dial down your migration program, you have quite an enormous hiccup, especially after 26, 27 years of uninterrupted growth with elevated property prices. It would probably be the worst thing you do. The other thing is, bear in mind, the number

one employer of men in Australia today and has been for a number of years now is the construction sector, and unfortunately this is the tricky part of the escape and this is why decentralisation to me is front of mind at the moment. Sooner or later, the Melbourne and Sydney property markets are going to cool off. One of them might pop. At that point you don't want your construction workforce to fall by 5 or 10 per cent because then you go into free fall economically.

Those guys - and we're talking about guys mainly - need to find work, and this is why this infrastructure, this- from the residential property and commercial property sector to big physical infrastructure is a short to medium term option I think governments need to consider. This is not an intervention for it's sake, it is just practically dealing with the workforce as it looks today. The male side of the labour market naturally collapses, not the professions, the male side of the labour market collapses faster in the event of the property downturn now, because so many eggs are in the construction basket and the manufacturing did during a recession in the '70s. That is unfortunately the situation we've got ourselves in.

So other ideas, Tim, have you got any? I'm going to throw it back to you because journos are allowed to interview each other apparently in the modern age. [Laughs] Uncomfortably. Thanks for the question though.

SABRA LANE: Nicholas Stuart.

QUESTION: Thanks very much, George. I think you did yourself a bit of a disservice, having read your- right at the beginning when you were talking about relationships with politicians, having read a lot of your work, I thought your side of politics has always been clear. It's the Opposition.

GEORGE MEGALOGENIS: [Laughs] I'll take that.

QUESTION: The other thing is- if I could come at Tim's question in slightly different way. We all understand the big advantage of increased growth and a larger population, and I'm sure that the jobs are eventually being created for immigrants. But nevertheless, at some point or another we must decide that if there is another person coming to Australia, there is the risk of a lower standard of living for some people. I mean, already you can see in the big cities of Melbourne and Sydney, we have great lives there. I mean, there's nowhere better than living in the inner city, but on the other hand there isn't the yards that there always used to be that everyone wishes we had now, all of those sort of things. At what point do you actually - I hope you ask the question - how do you measure the value of life? At what point do you say: there's a trade-off near, we can grow larger, we can get a larger GDP, but that doesn't necessarily balance out. What is the ideal population for Australia?

GEORGE MEGALOGENIS: Ah, the ideal population. That question. So this is the question in and around sustainability as much as it is about living standards, which is fundamentally a question of land use. So if you have a decent

population debate, which is essentially what I'm trying to do by framing the issue; firstly, the first question is where? The question of how many arises almost immediately because is this new growth corridor sustainable? So, the tricky thing is - and I don't discount this, I don't see it in the near term - but the tricky thing is what happens if the answer is: we've reached the limits to our environmental growth? And you have to be able to ask that question, and I think the best way to ask that question is to frame the question in the way that I talk about it.

So when you talk about the next migrant actually reduces living standards, the next migrant doesn't reduce total living standards. The next migrant, because they start here, increase the gap between the new arrival and the local born. And this is why I think politics has to understand the dynamic and the dynamic is moving a lot quicker than politics I think comprehends. And I recognise the issue in terms of feedback from focus groups about congestion and the like but the bigger story is - and this is something we've already seen to an extent in the US and in the Brexit [indistinct] - your global centres and their growth drivers are this highly mobile, highly skilled global worker who we can convert into Australians probably better than Americans [indistinct] Americans now, are going to make the place they land in better off. Even if you start at the bottom inner Melbourne, you still think your kids are connected to a mega city that is going to survive the 21st century shift in power from the North Atlantic to North Asia, but the rest of the country-

So leave to one side the question about the internal dynamic of Melbourne that the extra migrant brings, it's the gap with the rest of the country that I'm concerned about. And I think I've already flagged in an earlier answer, Melbourne's probably already reaching that tipping point where the next migrant is not necessarily going to make the people in the- the first million or two million residents in Melbourne in and around the CBD less well-off; it's going to make the people in the very outer suburbs less well-off because it's just going to be a lot harder for them to get to town if that's where their job is or to get to the hospital or to get their kids to school.

So, as I said, I think you've got to keep coming back to the point of the exercise; which is knowing that people are coming, knowing it's impractical in the short term to stop them because the economy is literally going to fall off a cliff if you do it and- also, why would you deny yourself the creativity from a new arrival? But figuring out where you want them to live and what you can do about it. And if you can't get them to shift, maybe help other people shift.

SABRA LANE: Our last question from Michael Keating.

QUESTION: Michael Keating from Keating Media. You've mentioned regulation is a problem; given that we have three tiers of government in Australia, do you think more de-regulation could lead to more rapid decentralisation?

GEORGE MEGALOGENIS: Yeah, I think at the local level and - Simon [laughs] I throw it back to you - it's possible, it's possible at the local level that you might be able to pull it off.

An interesting point to observe about the housing choices the Chinese born skilled migrant versus an Indian born skilled migrant; the Indians are actually, from what I can tell in the data, quite comfortable living in the outer suburbs. The Chinese are quite comfortable increasing the density in the inner city, they're quite comfortable living in apartments. So the thing you absolutely want to avoid - and this is not on the Chinese and Indians because this is a thing to think about - the thing you absolutely want to avoid is cities going this way and that way at the same time; because that is the population pattern in Melbourne, less so in Sydney because Sydney has a natural boundary, a natural physical boundary.

So at a local level - the local, local level is not necessarily at the city council level, it's at the local town level - encouraging people to move to your location- you know, the big interstate migration play in the '70s was Joh Bjelke-Petersen abolishing death duties, except what he got was a whole lot of retirees and a whole lot of young people left Queensland. So it was actually a lose-lose for Queensland. Total population increase but it wasn't, in terms of skills, going in the right direction for them. So if you're going to deregulate a local- well, you want to make sure you're attracting people that are fit for purpose which are younger, healthier … literally, you want to add an

injection of vitality into your region if your region is aging or it's population is [indistinct].

So how that thing pans out, I'd like to hear it from the local level about what they would need to knock off. I know everybody's encouraged me to go specific, but having identified what Canberra's problem is - which is that it wants to do stuff as well as fund it - I don't want to be the person that frames the question and sprinkles all the answers and finding that I divert you from the creative thinking you might need at the grassroots able to figure out what, at a local level, is the inhibitor.

SABRA LANE: Please join me in thanking George Megalogenis.

GEORGE MEGALOGENIS: Thank you very much.

[Applause]

* * **END** * *

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