Copenhagen calling
City leader Pia Allerslev on her city’s pioneering urban design

Bridging East and West
Secrets of Singapore

Natural wonder
Vancouver’s path to sustainability

City limits?
Growing into the future
Welcome back to Citizen Today, Ernst & Young’s magazine for our government clients around the world. Featuring shorter articles and an accessible design, this edition will also be the first to be available as an application (app) for an iPhone or iPad. Visit iTunes to download your edition – and check back regularly for new and updated content.

In this, our 12th issue, we take an in-depth look at some of the challenges faced by cities around the world. With its urbanization continuing apace, India needs new infrastructure – and fast. We hear from Urban Development Minister Kamal Nath who remains confident about his country’s future. Singapore, a pioneer in urban development, also falls under our spotlight. We talk to two of its leaders about life in the city-state’s corridors of power. And how do smaller cities compete in this era of the megalcity? We hear from a number of mayors to find out.

But this edition is not 100% devoted to cities. Jerome Reid, Head of Reserve Reform at the Australian Department of Defence, is in the middle of a sweeping reform of the country’s military ranks. He took time out to tell us about delivering public sector transformation and the importance of evidence-based policy-making. We also hear from Bill Banks, Ernst & Young’s new Global Infrastructure Leader who tells us about the current state of the global infrastructure market.

I hope you like the new-look magazine and welcome the flexibility of our new app. I want to hear your feedback and ideas. Please contact me at uschi.schreiber@hk.ey.com. I look forward to hearing from you.

Uschi Schreiber
Global Government & Public Sector Leader
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In conversation

Spotlight on Singapore
With Singapore lauded around the world for its state-of-the-art infrastructure and high quality of life, we speak to two of the city-state’s leaders to find out the secrets of their success.

Small cities, big potential
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Copenhagen: still wonderful?
Why do so many city leaders around the world look to Copenhagen for inspiration? Pia Allerslev tells us about blazing a civic trail.

Living well – Vancouver style
As the Mayor of one of the world’s most livable cities, Gregor Robertson is determined not to let Vancouver fall back.

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Introducing Ernst & Young’s Government & Public Sector service line in Mexico.

We meet...
Introducing a new feature in Citizen Today, we talk to Ernst & Young’s new Global Infrastructure Leader, Bill Banks.

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Within the scheme, each citizen builds up funds that are individually tracked, and can be used within and across their family. These funds can then be tapped whenever a resident of Singapore needs to receive inpatient treatment at one of the city-state’s 13 private hospitals or 10 public hospitals.

“There is always a co-payment component as part of our fundamental policy philosophy of individual responsibility,” continues Goh. “There is no first-dollar subsidy or insurance coverage under the national insurance scheme. This helps to shape behavior and moderate demand, because people will question spending that dollar from their own pockets unless it is really necessary.”

Beyond borders?
The key question for foreign observers, then, is whether Singapore’s system could be successfully implemented in other countries and localities. Unfortunately, Goh has his doubts.

“It’s not that straightforward,” he admits. “Lots of people have asked us. We have reasons to be grateful to the British for leaving us many valuable legacies, one of which was the Central Provident Fund, which provided the mechanism where a very small fraction of someone’s salary is automatically put aside for retirement needs. This is funded on the basis on which we could carve out and ring fence a proportion of this retirement fund for future health care needs. Any other country wishing to implement our system of compulsory savings for health care would have to start from scratch. I am not sure if that is politically possible.”

Another quirk of the Singapore system is that the public sector takes 80% of the in patient market. “This is one of the unusual aspects about Singapore that is not easy to replicate elsewhere,” says Goh. “In many other countries, the private sector provides the quality level of care and, therefore, the market share is reversed. For us, it’s the other way around. But because we are so big and because we own and control the bulk of the inpatient market, there is no disjoint between the ‘payer’ and the ‘provider’ that is often seen elsewhere. We are aligned in our quest to provide good, appropriate levels of care and at the same time manage costs so that the good, appropriate care is also affordable.”

Integration nation
Integrated care – even in somewhere as advanced as Singapore – remains a challenge, however. “It’s easier to integrate when we’re in the same family” but it’s still complicated,” says Goh, who is keen to stress that their integration is not just about paper trails but instead relates patients and care delivery – from one setting to another.

“We’ve coined the term ‘right-siting.’ We need to put the patient – whatever their condition – at the right site for their necessary care. So if they do not need care in an acute hospital – which is very expensive – they should be cared for say in a sub-acute setting, which is more cost-effective. So we’re really looking at this, examining how we can involve care providers out in the community – GPs, community hospitals, nursing homes, rehab centers etc. We want to bring everyone together to provide the whole spectrum of care settings needed by patients with different conditions, of different severity.”

A key hurdle has been IT, he continues. How do you enable key information to follow the patient? To address this challenge in, April 2011, the Government rolled out what was called the National Electronic Health Record (NEHR). “It pulls information from all systems in one go,” explains Goh. “The NEHR is the critical enabler for the delivery of well-integrated care, using IT to ensure continuity of care during care transitions and improve care coordination of patients across the entire spectrum of health care. It also contributes to the cost-effectiveness of health care delivery, giving doctors quick access to key clinical information, including test results, of patients. Patients save time and money with the avoidance of multiple, repeat tests.”

Can this be done elsewhere? “It can be done elsewhere but it will be a challenge,” contends Goh. “Even in Singapore, where we are the main player, we had difficulties with data sets, standards, different workflows, legacy systems and so on. So you can imagine if it was a disparate set of players, stream across a large country, all with different interests – consensus would be even harder to build. Plus, in Singapore it helped that we are small and fully wired up. So in a sense, we were lucky that the stars were aligned in our favor.”

Looking ahead
Like many health care leaders around the world, Goh pinpoints breaking down silos as a key priority going forward.

“The medical profession – not only here but worldwide – is a very proud profession. Rightfully so, for theirs is a noble calling. But it is also a very individualistic profession,” he says. “From an administrator’s point of view, it is common sense to standardize, but the medical profession often tells us that every patient is different. So it is an ongoing conversation – and will, I suspect, always be an ongoing conversation. There will always be opportunities to standardize – there is no way non-doctors can step in and say ‘this is how it should be done.’ But pushing the envelope means there will always be a conversation.”

And of course, Goh and his colleagues are very much focused on pending demographic changes such as the rising age expectancy: “We have the NEHR – this is a key enabler – and we are building more hospitals,” he says. “Each region will have roughly one acute hospital, one or two community hospitals, a network of nursing homes, and a broader network of GPs to serve the whole community. It’s still a work in progress but this is the vision and ambition. The key enabler is IT because it all comes down to information.”

Healthcare in Singapore
How does Singapore spend a fraction of its GDP on health care and yet still manage to offer universal coverage with world-leading outcomes such as low infant mortality rates and high life expectancies from birth? It’s a puzzle that has frustrated many a health care practitioner from around the world, plenty of whom have descended on the city to investigate this seeming anomaly for themselves.

Over the years, Goh Ah Kuan, Managing Director of Singapore’s MDH Holdings (MDHH), the holding company of Singapore’s public health care institutions, has welcomed many a foreign delegation to Singapore, all of whom have been keen – understandably so – to uncover the secrets of their success. Singapore’s young and modern infrastructure, high quality of life and forward-looking approach has won many admirers around the world. Here, we talk to two senior city leaders to find out about its health care system and managing HR change in the public sector today.

The city-state of Singapore is not only a gateway to Asia and bridge between East and West. It is also frequently cited as a world-class urban environment and with good reason. Its modern infrastructure, high quality of life and forward-looking approach has won many admirers around the world. Here, we talk to two senior city leaders to find out about its health care system and managing HR change in the public sector today.

Payment rendered
Under the Singapore system, its Government ensures affordability through a system of government subsidies, compulsory savings by individuals, a national insurance plan covering large inpatient bills and when all fails, an ultimate safety net to take care of the truly poor who have trouble paying their hospital bills. This combination is absolutely critical to the success of health care in Singapore, says Goh. “It was a stroke of genius that we started the compulsory savings system for medical care because, even though it means everyone has to pay, they pay a relatively small amount each time, making the reductions that take place in the background almost imperceptible. And by the time people actually need it – say in their 50s and 60s – they will have built up a significant nest egg that goes toward reducing the burden of out-of-pocket cash.

The underlying principle is that individuals need to pay their part and take personal responsibility for their health. So it’s like a quid pro quo – people accept that they have to take responsibility for their health and pay their share, and Government will pay its share, depending on the needs of each individual.”

Within the scheme, each citizen builds up funds that are individually tracked, and can be used within and across their family. These funds can then be tapped whenever a resident of Singapore needs to receive inpatient treatment at one of the city-state’s 13 private hospitals or 10 public hospitals.

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Reforms in focus
At first glance, you’d never guess that Rupert Gwee recently retired as a senior officer in the Singapore armed forces. His positive, good-humored and open approach seems out of kilter with the stereotypical image of a senior serviceman.
Nonetheless it’s been only a few short months since he stepped down as a colonel working in the headquarters of Singapore’s Ministry of Defence. And it transpires he has no regrets about entering civilian life. “I don’t miss wearing the uniform – because I have done it successfully in the past, I still have the cloud that it used to bring,” he says. “And anyway, sometimes it’s better to be on the outside – a prophet is never recognized in his home town!”

Driving big HR and administrative change
Gwee is now serving as Director of HR Transformation for Singapore’s Ministry of Home Affairs (MHA), where he is seeking to deploy the skills and experience accumulated over a long period working in and around human resources. It’s far from straightforward task.

“Generally, it’s the guys on the ground who suffer because ground HR and admin can’t get the policy people to understand why their problems are so important,” he says. “For the policy people, it is always tempting to say ‘our plates are full and we don’t have time to focus on administrative stuff.’ If you look at the public sector, it has very light resources to run its business and I have found that, to execute a needed change and the resources to do it, you have to go all the way to the top to make sure that everyone pays attention. This is because ground staff don’t have the power to change things without tweaking how policy gets interpreted. What you need is a highly empowered team with policy people embedded into it.”

So does this mean that you have to be highly skilled in the art of persuasion? Yes, and no, replies Gwee. “To put it bluntly, you need to ‘scare’ the leadership. You need to reframe the problem so they can’t ignore it, even if they have been scarred by previous attempts to fix issues in the past. So you need a different approach. I try to monetarize the size of the problem. This shows the bosses the value you are bringing to them. So you deliver an outcome and increase your team’s value and get that credibility, which is important as you go up the levels to clean up the problem.”

To illustrate his point, he uses the example of the Singapore Armed Forces, where demographic changes are poised to impact the size of this force significantly in the years ahead. “The population is aging and the birthrate has dropped. This means that smaller numbers are joining. Leveraging on technology for the war-fighting part is part of the answer but in the end, deep headcount cuts in ‘tail’ areas like HR and Admin are inevitable,” he says.

“So we reframe the problem; new resource coming in is dropping. So we asked the question: ‘How is HR and Admin going to operate with a reduction in numbers of 20% or more?’ You frame it at a sufficiently high-level enough meeting where they will ask for options. Very quickly they will say they need to start thinking about it, and when there is an operational lull, they will take that chance to fix the roof before it starts raining. So you need to create awareness and buy-in from the top.”

Avoiding the pitfalls
When asked to pinpoint common challenges in HR in the public sector – both in Singapore and overseas – Gwee identifies several. The first challenge is that HR projects often take several years to complete, at the same time as the other business of the department continues, which means that there is a high risk that project fatigue will set in. Secondly, such projects can often be the first time the people involved have worked at bringing about large-scale change and doing it while learning on the fly. “It can be still frightening for the team, even when you tell them that they will be mostly following well-trodden development steps,” he says.

Thirdly, change management is made all the more difficult as HR transformation often involves bringing together people across various departments who do not report to the project team and who are more often than not concerned how their jobs and roles are going to be affected by the end result. “You’re asking a turkey to vote for Thanksgiving sometimes,” he admits. “So you have to reframe it. We give them examples – they need to professionalize themselves because their new skills are not that hard to learn and the knowledge is transferrable. Otherwise they will belong to the other IBM: I’ve Been Moved! We use acronyms with a bit of humor so it’s easily understandable and lessens the anxiety.”

Clearly, then, communication is key, and Gwee adds that he always seeks to spotlight success stories. “You need to understand how to make it easy to say yes and how to make it difficult to say no,” he says. “You need to understand the emotional landscape and what the hot buttons are. Think about how to present it – an entrepreneurial approach is key, as you need to understand how people will react.”

Future trajectory
Just three months into his new role at the MHA, Gwee is relishing the opportunity to get stuck into the challenge of working in a new department.

“We have come up with four organizing concepts and five workstreams already,” he says. “We have made good progress on knowing what needs fixing and how to get it done at a brisk pace. The key, to note is that it’s not about a direct transplant of what we did in Ministry of Defence. The idea is to borrow yet adapt ideas into the new environment where resources are much leaner. There is a very strong operational ethos at the MHA. We will borrow best practice from anywhere and typically even improve on it. Change is always painful even if it is for good intentions. But we’re lucky, we have strong leadership. Our senior leaders are very focused – they think with their heads and execute with their hearts.”
The role of the private sector

While much of the impetus for this urban transformation comes from government – both national and state – it is clear that the private sector also has an important role to play, particularly in light of a growth rate that has recently slowed to 5.4%. Although such an expansion would be eagerly welcomed by many countries, it represents the lowest in seven years for India – and a significant slowdown from the double-digit pace of growth that occurred between 2004 and 2008.

Minister Nath, however, is keen to play down any concerns, “India has become too used to a boom,” he says. “So whenever it’s not a boom, people think gloom. But all the macroeconomic indicators are very good, with growth predicted to be 6.8% next year – which is much more than most other countries in the world.” This is a perception problem and it affects all sectors in India.

“The Government has been seeking to manage the country’s growth – ensuring that it touches all parts of the country and all sections of society. This is because growth will not be sustainable unless it is inclusive. By contrast, Western countries are looking at the structure of their economies and how they need to transform themselves to remain as engines of the global economy. New economic architecture will be needed for the future.”

Certainly, the fundamentals that make India attractive to investors remain intact. The high potential of the domestic market, driven by an emerging middle class, cost competitiveness and a huge pool of talent continue to make India one of the most preferred destinations for foreign investment. This underlying strength will help Nath’s drive to deliver a number of investment-based models of private public partnerships (PPP) that can implement the massive projects. “PPP has been a success in India but it is a mistaken notion to assume there is a one-size-fits-all PPP model,” he says. “We are appraising various PPP models and would like to get a basket of PPP options to continue large-scale development.”

There is little doubt that such investment is needed. “Economic activity is what attracts people to urban areas,” says Minister Nath. “In the next 10 years 70% of new jobs will be created in our urban areas, and almost 70% of our GDP will be generated in urban areas.” Irrespective of slowing economic growth, India’s towns and cities will be at the forefront of the country’s development in the years to come.

The changing face of India

India is on the move. Its surging economy has triggered an urban expansion that is seeing new towns and cities emerge across the country. For Urban Development Minister Kamal Nath, the focus now is ensuring that India has the infrastructure needed to cope with this transformational change.

“PPP has been a success in India but it is a mistaken notion to assume there is a one-size-fits-all PPP model.”

To cope with this problem, the Indian Government is poised to launch the US$40b second phase of its urban renewal plan within the next couple of the months. The Jawaharlal Nehru National Urban Renewal Mission (phase II) will be carried out over the next five years to support infrastructure development in India’s 28 states and will be deployed in addition to the plans of individual state.” The challenge is not only to bridge the deficit but also to build for the future,” he says. “Our vision is to facilitate the creation of economically vibrant, inclusive, efficient and sustainable urban centers.”

India has spent nearly US$15b on the first phase, which was launched in December 2005, and there have been some notable successes – particularly the development of metro systems in Delhi, Mumbai, Kolkata, Bangalore, Chennai, Hyderbad and Jaipur.

The Minister believes that Indian land needs to be used more efficiently in the years ahead. “We are working to formulate land use plans with town and city planners,” he says. “If you take the population, and divide with the available land area, it is one of the most dense countries in the world. Take away the mountains, the forests, the deserts, the rivers and the lakes from the Indian land mass, and the density of land population will be very high. So we have to look at more efficient use of land, with strategic management for land assets.”

Mind the gap

Small wonder, then, that Urban Development Minister Kamal Nath is focusing on delivering the infrastructure necessary to cope with these sweeping demographic shifts.

“Although only 31% of India is urbanized, we have the second-largest urban population in the world,” he says. “But, as India grows, the growth has preceded infrastructure. We have a huge infrastructure deficit and we need to bridge this deficit as it remains a huge challenge.” This challenge is crystallized by the too-familiar sight of slums and homelessness in many Indian cities – the direct result of too many people moving to urban areas unable to cope with such an influx.

Few countries are under as much urban pressure as India. Propelled by strong economic growth, the country has seen huge numbers of its population forsake rural areas in favor of its towns and cities. Its urban population now numbers more than 400 million – up from 285 million in 2001 – and is projected to rise to 700 million in 2020. Similarly, the number of towns has increased from 5,161 in 2001 to 8,000 in 2011 – an increase of 55%. Cities, too, are rapidly expanding. There are currently 55 cities with a population of more than one million and this is likely to be close to 70 cities in the next decade. There will also be six megacities with a population of 10 million – more than in the whole of Europe.

Mind the gap

Population was 285 million in 2001

Population more than 400 million in 2011

5,161 towns in 2001

8,000 towns in 2011
There are very different challenges for cities in the West and East. Yet, for cities and countries that continue to be financially constrained, there are three significant barriers that unify them: policy, capital and infrastructure. These barriers are interdependent. Without creating an environment conducive to investment, capital is unlikely to be invested at the necessary scale, and so infrastructure will not be built at the rate required to enable sustainable growth.

London and Singapore have approached this challenge in different ways. London has set challenging targets for carbon reduction and expects the private sector, when faced with opportunities, to deliver green growth and jobs. Singapore has a well-developed master plan that puts sustainability, through greening new developments, at the heart of the plan.

Both approaches have the potential to deliver comparative advantage in different ways. The keys lie in articulating a clear vision and coherent set of policies that are centered on the long-term national objectives for growth, jobs, energy security and carbon reduction. The financial markets are prepared to reward those with good plans – these cities have better credit ratings and, in a world of potential sovereign default, that could make the difference in raising funds. And sustainability is a key part of those plans.

The journey toward a low-carbon, more resource-efficient world has already begun. It is clear that cities have to be pivotal participants in this global transition in order to continue to sustain its growth and urban success.

One shining example is Copenhagen. The Danish capital has been widely lauded for its embrace of environmental initiatives large and small. On our next page we speak to Pia Alleræs, the Mayor of Culture and Leisure, to find out more.

James Close leads Ernst & Young’s Sustainability and Strategy Services practice in the UK and Ireland.
“How to build sustainable cities is an issue of global concern,” says Pia Allerslev, Mayor of Culture and Leisure for the city of Copenhagen. And certainly, when it comes to sustainability, the world’s eyes have for some years now been on Copenhagen — fascinated by the hundreds of cycle lanes, clean harbor and much more.

Mayor Allerslev confirms that the aim to be clean and green has an overriding influence in City Hall. “The ambition to become a carbon neutral city by 2025 has influenced everything we do, especially in the field of urban development,” she says. “When we develop new parts of the city — whether its regeneration of older areas or entirely new buildings — we always aim for innovative architecture due to our ambitious climate action plan. Copenhagen strives to deliver sustainable urban solutions that combine environmental, social and economic benefits.”

For example, since 1993, all buildings in the city have been required to join the district heating system, which now supplies 98% of the city and 500,000 inhabitants with reliable and affordable heating. District heating — which distributes heat generated in a centralized location for residential and commercial requirements — is one of the most carbon-efficient ways to produce and supply energy locally. Today, the system achieves lower carbon dioxide emissions than the gas (40% lower) and oil (50% lower) boilers it replaced.

And, in order to further reduce Copenhagen’s reliance on fossil fuels, the use of energy generated from waste and the integration of renewable fuels has been prioritized. The city owns public companies within waste management, transmission and energy that share the primary goal of reducing CO2 emissions. The current focus is on waste disposal — some of which will be burned in incinerators to generate energy and heating for the city, and some will be recycled to generate biomass and bioethanol.

But the city’s myriad cycle lanes are perhaps the best example of Copenhagen’s commitment to all things green. At least 55% of Copenhageners use their bike as their main means of transportation and first-time visitors in particular cannot help but note the sheer number of cyclists on the city roads. Cars are far from the dominant presence they are in other cities and, indeed, the number of car trips within central Copenhagen fell from 350,000 in 1970 to 284,000 in 2012. And thanks to clear and well-marked cycle lanes that are often separated from the main traffic lanes, there are few of the tensions between cyclists and other road users that exist elsewhere.

“A very important aspect of urban planning is the large number of bikes,” says Mayor Allerslev. “We have heavily invested in uninterrupted cycle lanes so cyclists can travel non-stop. We have 412km of cycle lanes and try to make it easy to get around by bike.” The city is also developing a system of interconnected green bicycle routes to enable fast bicycle transport from one end of the city to the other. This network will cover another 100km and will have 22 routes when finished, including stations with air pumps and water.

This expansion is occurring at the same time as an extension of the city’s underground metro system. The metro, which carries 150,000 daily passengers, was opened in 2002 and links the suburbs, the new city district Ørestad and the airport to the city center. The next phase is scheduled to open in 2018 with the introduction of a new city circle line. Such development is needed to cope with rapid population growth. Copenhagen is a city of half a million inhabitants with a 20% rise projected by 2020. And, like almost every other city in the world, the high expectations of citizens and limited budget means that civic leaders do not want for policy challenges.

To address some of these difficulties, Copenhagen is increasingly operating in partnership with its neighbor, the Swedish city of Malmö. The combined twin-track railway and dual carriageway bridge across the Øresund strait between the two cities symbolizes their joint approach. “In Copenhagen, we have realized that we can’t solve every problem by ourselves and we have to be part of a bigger region in order to find new innovative solutions,” says Mayor Allerslev. “Copenhagen is part of a Scandinavian region that, along with Malmö, will have four million inhabitants by the year 2025. Malmö and Copenhagen work very closely together — on issues such as city planning, infrastructure, promotion and attracting new business and events to the area.”

Copenhagen is also expanding its collaboration with the German city of Hamburg. Focusing on areas such as cleantech, energy, tourism and the creative services, the partnership will be strengthened by the opening of the Femern Bridge between the two countries, which is expected to be completed by 2020. “Cooperation across borders benefits everyone,” says Mayor Allerslev. “We need to inspire each other by becoming even more innovative in the years ahead.”

To this end, she and her colleagues are seeking to combine the pursuit of economic growth with a high quality of life. “We want healthy, creative and green growth in order to give our citizens the best opportunity to live long, meaningful and healthy lives,” she says. “Therefore, the main focus is on enterprise in growth sectors such as cleantech, life sciences and the creative industries.”

The focus on quality of life was one of the driving forces behind the cleanup of the city’s harbor. “Until recently, swimming in Copenhagen’s harbor would have been out of the question — the water was badly polluted from industry and the city’s old sewerage system,” she says. “We initiated a cleaning program that has improved the water quality so much it is now possible to swim in the harbor — giving joy and exercise opportunities to our citizens. This program began in 2002 and we now have three specific harbor bathing areas. We have also built two beaches, so there is plenty of opportunity to swim in the harbor and the ocean.” As a result, housing areas in the harbor areas have been revitalized, new commercial and cultural ventures have sprung up and apartment prices have increased by 57% between 2002 and 2011. But for Mayor Allerslev, creating a sustainable city is not only about creating green solutions. “It is also about securing social sustainability and a livable city,” she says. With such a variety of initiatives and programs, as well as deep commitment to the environment from city leaders and citizens alike, there seems little doubt that Copenhagen will continue to blaze a green trail in the years ahead.

Ask a mayor which city they most admire and the answer is often “Copenhagen.” Here, city leader Pia Allerslev explains the secrets of their success.

Copenhagen’s urban strategy:

- Densifying the city around facilities for public transportation — to support the use of public transport and reduce car traffic
- Creating mixed-use areas with both housing, business and commerce and retail — to secure economic sustainability and urban life in new urban areas
- Creating socially diverse areas with a mix of rental and owner’s housing — to prevent segregation
- Designing new buildings according to the optimal energy class — to reduce CO2 emissions

The ambition to become a carbon neutral city by 2015 has influenced everything we do.

Malmö and Copenhagen work very closely together — on issues such as city planning, infrastructure, promotion and attracting new business and events to the area.”
Conversation | Delivering defense reform

In the field

Delivering defense reform

Introducing In the field, a new feature reporting on examples of Ernst & Young’s collaboration with government teams around the world. Here, Stephen Koss talks to Jerome Reid about transformation and evidence-based policy-making.

Starting a new job is rarely straightforward. New systems to learn, people to meet and practices to adopt. Certainly, the temptation – at least to start with – is to keep your head down and focus on setting yourself in as quickly as possible. Not so, Jerome Reid.

Appointed Director of the Reserve Reform Stream at the Australian Department of Defence, Reid, who had previously served as an Officer in the Australian Army, was faced with the Herculean task of delivering sweeping capability savings while at the same time enhancing reserve capability delivery. But upon arrival he decided some changes were needed.

“When I took over there was a list of about 13 initiatives in the Reserve Reform stream,” he recalls. “What occurred to myself and others was that while these initiatives were alright so far as they went, they would not deliver transformational reform that would continue to drive efficiencies, nor optimize the contribution of the Reserve component to Defence’s capability. We felt that we should be using the opportunity to enhance capability, and milk it for everything it was able to provide. So we suggested going back to first principles to look at what the organization wants and then match the capability demand to the supply. This meant a new direction for the main effort of the Reserve Reform Stream.”

Course change

The Australian Defence Reserves comprise the Naval Reserve, the Army Reserve and the Air Force Reserve, with approximately 25,000 active and another 25,000 standby reservists. Its mission is to deliver specified capability and support and sustain Australian Defence Force preparedness and operations. So how did Reid go about convincing his colleagues and superiors that a change of course was necessary? It transpires that garnering support from the senior leadership team and tailoring his message to the main stakeholders was key.

“We had to move forward with a degree of sensitivity because there are two parts to this work,” he points out. “One part was driving deep and sustainable reform and the other is delivering A$360m in cost reductions. As in any other organization, the finance executives are interested in where you are going to deliver the money from while the operational leadership are interested in where the capability is going to come from. So it was a difficult juggling act to start with.”

To convince multiple audiences, Reid and his multidisciplinary team of military officers, public servants, academics and consultants looked to the evidence to shape the new proposals. “This was important because everyone had a view on the particular issue – there was a lot of passion about it,” he says. “Each group had a view and if we were to change people’s beliefs we could not assume anything; we had to find the evidence and then use the evidence.”

Working with Ernst & Young, Reid and his team developed “Suakin,” named after the first Australian military action that used both regular and volunteer citizen serviceman in 1885 – which was an evidence-based plan for transforming the Reserve workforce. “Our focus was producing the enabling model that allows any capability demand to be supplied,” explains Reid. “Suakin looks across Permanent to Reserve and the movement between them. It looks to enhance this model with a career management system that is geared to delivering that sort of flexibility. It also looks at remuneration, the governance and administration around transfers from one service to another. And finally we looked at an innovative technology solution for engaging and communicating with Reserves.”

It’s good to talk …

Clearly, a project of such scope demanded the backing of key stakeholders from across the organization and Reid and his team deployed their full powers of persuasion to ensure this was the case. “In Defence we have the unique situation where we have four organizations in one – the Australian Public Service, Navy, Army, and Air Force – each with their own structure, history, culture and operating principles,” he says. “It felt like my colleague Brigadier Bill Sowry and I wore out several pairs of shoes walking the corridors talking to anybody and everybody who would listen, including some who were hard to convince.”

“I white-boarded my office with a matrix listing people as ‘influential’ and ‘committed’ and used those people to bring the others along. We had hundreds of names shifting along this matrix. You need to constantly pay attention to your stakeholder engagement, top to bottom and sideways, because as soon as someone slips off you need to bring them back up. As you meet and talk with stakeholders you can incorporate their ideas into the project and next time you see them they can recognize their own contribution. In a sense everyone sees a little bit of themselves in Suakin – and that’s perfectly fine. We wanted to incorporate the best ideas to drive the reform.”

“You absolutely need to have a sponsor who can look after you and smooth your way through some of the governance committees that exist across large government organizations.”
New to the public sector, Reid followed his instincts in getting the necessary visibility and impetus behind the change project. But it wasn’t easy. “You absolutely need to have a sponsor who can look after you and smooth your way through some of the governance committees that exist across large government organizations, we were lucky enough to have a few very well placed sponsors who believed in the value of this work” he says. “They need to be the type of person who commands credibility within the organization and can be called up for short notice for their assistance – this is crucial for anyone looking to deliver reforms in the public sector.”

Building and sustaining momentum is also crucial, he believes, citing the advice he received from one of his mentors, a retired General. “He said that it’s crucial that any program of change within Defence needs to be established in 18 months, otherwise you won’t get it done. Circumstances will change — new budgets will come in, sponsors and key people change jobs and so on. It can be difficult to build momentum but you have to find innovative ways to do that.” And thirdly, if you have a solid evidence base and structure that identifies the problem, the evidence and the solution, we have an answer that’s hard to argue with. In my experience you can go to any senior committee or leader and if you have your facts right and evidence to back it up they will give you a fair hearing. You need both, otherwise you lose your credibility and this loses you momentum. The last point is you require a fair degree of personal resilience. You need to accept getting knocked back on a daily basis, learn from it and then stand up again because otherwise you’ll stay knocked down.”

With Suakin currently being implemented across the Australian Defence Force, Reid and his team’s focus is now on implementation and the next stages of the transformation program. Watch this space.

Plan Suakin: approach and methodology

- The Australian Department of Defence, Ernst & Young and Academics from the Australian National University worked together to develop “Suakin,” an evidence-based plan for transforming the Reserve workforce.
- An innovative and rigorous approach was used to define the areas in which Defence could gain the greatest return on investment for its workforce initiatives.
- A comprehensive systematic literature review was commissioned and compiled by a team of academics to ensure that the broader issues were identified and accounted for.
- A set of broad hypotheses about the most important areas for reform were developed and tested through stakeholder interviews, workshops and focus groups with Defence people.
- A Reserve Reform Survey was then distributed to over 30,000 active and standby Reservists and Permanent members, with over 15,400 surveys returned. The data was analyzed using two statistical models to validate and narrow the hypotheses down to six Courses of Action.
- Six Lines of Operation were developed covering: a transformatiVe Service Spectrum for employment in the Reserve; remuneration reform; improved transfer processes; career management; an employment offer for the Reserve; and improved supporting information systems.

The growth of cities in Japan is one of many reasons why the country’s water system is in need of reform. Here, Miho Mochizuki and Kenichiro Fukuda suggest that streamlined administration, and some private sector know-how, will lead to the necessary transformation of water and wastewater management, which initially enabled rapid construction and technological advances, have changed.

Although Japan’s remains the world’s third-largest economy, stagnant growth and the serious headwinds facing the global economy mean that a sharp rise in tariff prices and a huge investment program are unlikely. With government funds directed toward the post-earthquake rebuilding effort, radical reforms are needed to safeguard the continued sustainability of water services.

In addition, Japan is still recovering from the devastating earthquakes and tsunami that struck the north-eastern coast of Tohoku. Leaving 16,000 people dead, 5,000 still missing and more than 90,000 still unable to return to their homes, no part of the country was spared the carnage. Indeed, Japan’s water infrastructure has, of course, been a key priority, with principal focus on restoring the country’s badly affected nuclear power plants but water, too, did not escape the devastation.

Repairing damaged pipes, sewers and water plants – as well as the need for extra investment to secure protection against future earthquakes – will also affect the profitability of businesses, and that’s before we even consider the urgent need for renewal of decades-old infrastructure. The Ministry of Land, Infrastructure, Transport and Tourism (MLIT), which is responsible for wastewater treatment, recently reported that there have been 5,300 breakdowns across the municipal wastewater business over the past few years. The MLIT also found the number of such incidents is growing, with in most cases are associated with pipes installed more than 30 years ago. All these developments show that the fundamental conditions of water and wastewater services across the country...
Delays ahead?

As towns and cities grow, it has become increasingly clear that a reliance on the car as the primary mode of transportation is no longer tenable. Only a combination of different modes of transportation will address future needs, says Anil Valsan.

Sustainable, convenient and affordable end-to-end urban trips

Flexible, affordable, speedy, convenient and comfortable. That’s what consumers are looking for when it comes to their transport needs. Unfortunately, the current transport systems available in most cities around the world do not leave citizens with many options. Too often, they have to use their own vehicles or compromise on one or more of their criteria. As stakeholders ranging from city administrations and transport companies to telecommunication operators and shared mobility companies consider a variety of alternatives to current transportation, there is a pressing need to identify business strategies that enable sustainable integrated urban mobility.

To determine if it is at all possible to develop commercially viable integrated mobility solutions, Ernst & Young has developed an ecosystem of three components: the mobility services for end-users, the infrastructure that enables integration and the stakeholders that deliver these services. The infrastructure and technologies are available today in certain markets, and early entrants have begun to illustrate the benefits of integrating mobility. Our view is that this is where the real value lies.

Enabling integration

We have identified five mobility business strategy variants, based on the services they deliver to the customer. These strategies are at varied levels of complexity and, consequently, bring different risks and rewards to the participants.

- Transport navigator – a provider of online transport information portals
- Mobility platform manager – a developer of mobility management interfaces and applications
- On-demand personal mobility provider – a deliverer of personalized and shared transport solutions, such as car and other vehicle sharing
- Multi modal public transporter – a facilitator or operator of integrated multi modal public transport networks
- Mobility integrator – a catalyst for end-to-end journey solutions combining public and private transport modes

There is significant evidence that a number of companies outside the automotive industry, including city transport administrators, are taking a lead in piloting various integrated mobility solutions. Consequently, the auto industry has been a follower and has jumped on the bandwagon with its own mobility solutions, particularly around the car sharing business model.

Consumer spending – who takes the share?

Considering the potential shift in the demand for mobility from owning vehicles to having access to a variety of transport alternatives, the billion dollar questions would be who “owns” the customer and what share of the consumer’s wallet can they capture? While the answer probably lies somewhere between a mobility integrator and the public transporter, the market is still at a nascent stage and there is still a window of opportunity for the auto industry and other stakeholders to come up with new ways to compete.

Integrating disparate transport modes to offer consumers a viable door-to-door mobility solution can also help transportation become an economic contributor rather than a cost, while at the same time enabling more extensive use of clean technologies such as electric vehicles. While such integration is only possible at a city level to begin with, this is a significant opportunity for local administrators not only to improve the standard of living for citizens, but also make them attractive destinations for investments.

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Urban traffic facts for 2050

- At least 70% of the world’s population live in urban areas
- Over 650,000 traffic fatalities will take place
- Annual traffic distance grows to over 73 trillion kilometers
- 1.06 hours on average per person in traffic delays per year – double the average in 2010

Source: UN World Urbanisation Prospects, World Business Council for Sustainable Development

Case studies of cities

Singapore

SMRT Corporation – Singapore’s multimodal public transport service provider offering integrated mobility services
- Key activities and enablers
- Deployment of digital communication systems
- Intermodal connectivity and real-time capacity addition
- Feeding data into TransLink systems to enable provision of information and payment processing
- Infrastructure – Mass Rapid Transit network, bus fleet, automated light rail system, taxi network

South East Queensland, Australia

TRANSLink – government authority that integrates bus, train and ferry services across South East Queensland in Australia
- Key activities and enablers
- Online journey planning
- Online interactive map and schedules
- School transport
- Event transport
- Infrastructure – integrates bus, train and ferry services
- One electronic ticket (go card) for all these services

London, United Kingdom

Oyster Card – integrated public transport contactless payment services in Greater London area
- Key activities and enablers
- Online journey planning
- Online interactive map and schedules
- Records customer journeys and payment details
- Operates fare capping system
- Pay as you go online recharge and auto top up
- Infrastructure – London Underground and Overground, buses, Docklands Light Railway, river boat services and national rail services within London fare zones

Dusseldorf, Germany

Mobil In Dusseldorf – one ticket for public transport, car sharing and bike renting
- Key activities and enablers
- Account management
- Website hosting of
- One-stop payment cards and information portals
- car2go vehicles can be parked on any public parking lots, and also on past time-limited areas
- Infrastructure – the new Rhine railway ticket combines train, bus, car and bicycle on a single-chip card
- 300 car2go vehicles
- 400 bikes

Anil Valsan is Global Lead Analyst – Automotive, Ernst & Young. Visit www.ey.com/automotive for more information.

The scene is a global conference of urban planners, debating the challenges associated with urban travel, namely congestion, pollution and economic cost. This may appear to be an event being held now, but it is in fact an image from 1898, when the first urban planning conference was held in New York, and the mode of travel being debated was horses – manure, carcases, accidents and congestion. While this was pivotal for the industry and resulted in the automobile becoming the dominant mode of travel for more than a century, we are now at a similar turning point and the solution this time around may not be developing a technology or a new mode but rather leveraging creative business models.

With the growth in urban travel needs fast outpacing the development of transport infrastructure, it is becoming increasingly evident that the car as preferred personal transport solution is no longer sustainable. While the automobile as a mode of transport is certainly not going to disappear, its role is likely to shift to being one of a variety of options available to those living in towns and cities.
Small cities, big potential

From West to East and North to South, the world’s urbanization continues. But as huge new cities emerge across the rapid-growth markets, how can smaller cities continue to compete? We speak to the mayors of Perth, Adelaide and Wellington to find out.

Moving Perth forward

Recently re-elected as Lord Mayor of her home city of Perth, Lisa Scafidi is focusing on taking her city to the next level.

What is your vision for Perth?

My personal vision is one of pre-development and capacity building. I have a great passion and interest in economic development; looking at how we can encourage other industry sectors to develop.

Our strength is coming out of the predominance of the resources sector. This is a broad term that encompasses iron ore, liquefied natural gas and oil. On the back of this industry, we now have so many companies established and creating a strong presence in Perth as they develop projects up to the north west of our state. A number of these are American and they all now have purpose-built offices in our city. I think Perth has one of the largest American expat workforces and also high levels of American investment in terms of the construction of these projects.

Has this strength insulated you from the global financial crisis?

It’s very much helped us get through the past few years. We’ve had a very low level of unemployment. We’ve got a skills shortage, if anything, and we’re often talking about the need to bring in skilled workers on different visas. That’s great and it is working but it is also causing us to create more housing affordability and availability, so people aren’t displaced. A lot of our traditional blue-collar workers are finding it tough because what we’re seeing is a two-speed economy as a result of the strength of the resources sector.

Is tackling this one of your key priorities?

Yes. But mayors in Australia don’t have the all-encompassing powers that mayors in the United States do, for example. But while I’m predominantly focused on the Central Business District (CBD), I’m very conversant on these issues because, even in the city of Perth, we’re doing a housing development ourselves – building a unit for key sector workers – to encourage a stronger presence of people in the center of the city.

I’m very much focused on capacity building in the city. We had spoken about developing our waterfront area for decades and this project has now started. We are also working on a new project, The Link, which involves sinking the railway lines that had separated the city center from the entertainment district of Northbridge. The project will recreate about 20 hectares of space on land that was otherwise not usable. Another development is Riverstage – that’s to the east of the city – and this is containing new apartment and hotel developments. We have a big shortage of hotels in Perth and are crying out for hotel developers to consider our city.

How do you go about funding these projects?

The state government has committed $340 million for civil works. The city of Perth already owned the land and has transferred this to the state government. A rough estimate of the land value is $580 million. Private consortia will come together to make proposals for the different sites and obviously, over time, the money they will give the government will hopefully neutralize the initial costs.

Have these projects strengthened your links to entrepreneurs?

Absolutely. I’m very pro-business and pro-development. I see the Lord Mayor as someone who connects the dots. I see the role as one of collaboration, coordination and negotiation – connecting people with opportunities.

What would make your job easier?

It would be easier if our Government – Federal and state – realized we need to be much more outwardly focused than inwardly focused. We need to be able to balance our time and be seen to be a lot more proactive when it comes to encouraging business opportunities in Australia. We are only a 26 million population – a blip on the global population radar screen – so we need to leverage our opportunities to the max. The biggest cities have been there before us so we can learn from them and work smarter, not harder.

I also think we need to work on brand Australia. We need to work out what we want to be in the 21st century. For example, we’re in the same time zone as 61% of the world population. We’re a good gateway to China and we need to assist countries like the US and UK to come in to Asia through us. It blows me away sometimes how little people overseas know about Perth. We’re the third-largest city in Australia. It’s just a crazy thing to me that people don’t have much awareness of Western Australia as a whole, let alone of us being its gateway on the coast.

“Citizen Today

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Perth

As the youngest Lord Mayor in Adelaide’s history with a career as an urban planner, Stephen Yarwood knows his cities. He tells us about Adelaide’s buzz and his plan to create a niche world-class, urban environment.

Why should people visit Adelaide?

Adelaide is the eighth most livable city on the planet, according to the Economist Intelligence Unit. We’re the 350th biggest city in the world but one of a very few that are virtually entirely surrounded by Parks and Lands. We have a Mediterranean climate and beautiful beaches. It’s the sort of place where, if you come for a couple of days, you might think there is not a whole pile to do but if you stay for a week or two, you won’t ever want to leave.
What are your top three challenges? Transport is a key focus for us. Australia has a very low density of population. We’re highly car-dependent. About 65% of all daily commuters to Adelaide’s CBD use cars and we actually have more car parks in our CBD than any other city in Australia. But we’re also a flat city with wide roads so it’s the perfect city to get around by bike. I am determined to make Adelaide the best cycling city in the southern hemisphere and we are progressively rolling out a number of cycling-friendly initiatives to make pedaling in the city safer.

The second biggest challenge is housing, and particularly housing affordability and diversity. We have recently announced an overhaul of city planning rules, and the state government has abolished stamp duty for off-the-plan apartment sales in the CBD for the next two years. Combined with this is assistance for homeowners to get into the market and also making it more appealing for property developers to invest in the city.

I think the third key challenge – which goes hand in hand with transport and housing – is that, like every city, we are judged by the quality of our urban core. We’re very much focusing on city vibrancy. Our aim is to have more pedestrianized spaces with more public art and live music – all to bring the CBD to life.

Which cities do you most admire? I’m a qualified urban planner and have been studying the future of cities my whole life; I have seen the business of cities, I’m determined to make Adelaide a globally competitive city – not the biggest, but a niche, high-quality, technological and creative city. What cities inspire me? I’ve absolutely been inspired by my trips to Copenhagen – its walkability and cycling, and its integrated transport. The city of Austin in Texas is edgy and quirky, as well as being the live music capital of the world. Their focus on arts and culture is much to be admired.

I’m also really passionate about Asian cities such as Hong Kong for its vibrancy, public transport infrastructure and night-time economy. I am a big fan of Melbourne – they’ve got twice as many outdoor dining seats than any city in Australia, despite not having the best climate. Their consistency of urban design has been absolutely magnificent.

How do you go about funding new infrastructure? We have a system in Australia where local government authorities are rather small and so partnerships are very important. The City of Adelaide and the state government has historically had a number of tensions but I’ve been very fortunate in being able to help build a better and stronger working relationship. We have a focused and shared vision now and this means we can prioritize investment. Certainly, PPPs are very important in the CBD. In the past, Australia has relied strongly on the public sector to do everything – there is this expectation that government will fix it but we’re really trying to work with businesses to give them the impetus to invest in the future of our city.

What would make your job easier? Social media has made a difference. Things like Twitter – people say I am authentic in that medium. Having a positive social media following has helped broaden my message and generate community support. I personally think one of the biggest issues facing good governance is being an informed media and I will therefore continue to work on this notion of having qualified and educated media reporting on urban issues and affairs. So instead of them talking about the cost of car parking, they can talk about the cost of traffic congestion on the productivity of our nation.

One of the challenges we’ve got to is to educate businesses on the future of cities. A traditional business model has businesses wanting a car park outside their office and many car parks within walking distance. But in the future, it’s not about creating spaces for cars; it’s about creating spaces for people. This is one of the biggest issues for cities as a whole – not just Adelaide. Resistance to this type of change is one of the biggest challenges we face.

The city of Wellington in New Zealand is a long way from the London birthplace of Celia Wad-Brown. She tells us about the world’s southernmost capital city and her role as its mayor.

What are you most proud of in Wellington? The city is a really interesting combination. There is the wild outdoors – you can go surfing, windsurfing, swim with dolphins – but then, 15 minutes later, you can be in the center of the city and be surrounded by world-class ballet, theater and national museums.

Wellington is a very connected to the world through its international community, I am a convert to Wellington. I arrived in the early 1980s and expected to stay for only a few years but I fell in love with the city and stayed, so I am obviously convinced it is one of the best places in the world.

We do have some challenges but increasingly, physical isolation isn’t one of them – and we’re on track to introduce direct flights to Asia. Culturally, Wellington connects to all corners of the globe – thanks in part to our international community and diplomatic connections – but we’re also a contributor to culture to the world through our Oscar-winning film production, with much of the Lord of the Rings, Avatar and District 9 produced here.

I became mayor on the basis of three factors. Firstly, good transport links. I’m a keen cyclist myself and we’re a very walkable city. Wellington has 550km of cycle lanes. High users of public transport and we need a step change in its quality. Secondly, clean technology. We are a “green” city as our third pillar, focusing on its walkability, public art and waterfront access. Indeed, our waterfront is a large plaza that I work to turn into an accessible mayor and engage with many different groups. Council recently completed the city’s long-term vision and the 10-year budget, and I was really pleased with the huge public participation in those ventures. Our vision is “Wellington towards 2040: Smart capital,” which focuses strongly on being a connected city, encouraging economic growth in really exciting areas like innovation, technology, film and the knowledge-based economy. We’re aware of the need to capitalize on our strengths, so our compact form has created a CBD that truly is the engine room for the region’s economy.

What are the main elements of the new Wellington vision? We are emphasizing that we are the capital city; close to government and with a highly qualified and knowledgeable workforce. We’re far more than a third of our jobs require some tertiary education.

There are four pillars that capture our priorities. Firstly, “the connected capital.” Some of these connections are person-to-person but it’s also about virtual connections. The population of New Zealand is a whole lot less than a lot of cities in the world – but, as our virtual connections improve rapidly, there’s no reason why we don’t compete and interact globally. We’re encouraging better cable connectivity over the Pacific at one end of the scale, which will be a huge boost to the way New Zealand connects to the world. At another end we’ve got free WiFi throughout the CBD, so people can connect with family, friends, and their workplace, or get all the information they need while they catch a bit of sun beside our sparkling harbor. It’s a good story.

Secondly, we are “people-centered.” Even though people think of Wellington as a capital or a provincial, we have 85 different ethnicities. Being people-centered means we are also connecting to our exports around the world. About one fifth of New Zealanders live abroad and, by keeping up with the latest developments, they can act as our ambassadors and encourage more of the world’s smartest talent to consider the opportunity Wellington has to offer. Our first people, Māori, are increasingly visible in art, architecture and economic power.

We have a “dynamic” CBD as our third pillar, focusing on its walkability, public art and waterfront access. Indeed, our waterfront is a large plaza that I work to turn into an accessible mayor and engage with many different groups. Council recently completed the city’s long-term vision and the 10-year budget, and I was really pleased with the huge public participation in those ventures. Our vision is “Wellington towards 2040: Smart capital,” which focuses strongly on being a connected city, encouraging economic growth in really exciting areas like innovation, technology, film and the knowledge-based economy. We’re aware of the need to capitalize on our strengths, so our compact form has created a CBD that truly is the engine room for the region’s economy.

What would make your job easier? More time in every sense. Whether it is eight days a week, 26 hours a day or another year in my term, I hope the people of Wellington will re-elect me and support the vision going forward, but a sense of urgency to get more things done before the next election is positive. So while I would like more time, I wouldn’t want it at the expense of democratic input.

One of the things I am passionate about is telling the Wellington story – that you can have a healthy economy, a healthy environment and an inclusive society all at once. A triple win, and it’s not all about trade-offs to achieve this. I want to tell our story more. Technology helps, but there’s nothing like being able to get your hands on the message and share their experiences.

How do you fund your new infrastructure? We have to think smarter about infrastructure. Before we commit to spending billions on roads, for example, we need to understand when we need them and whether there are much better solutions that are sustainable, responsive to environmental and social changes, and much more affordable in the long run. Currently we focus on roads of National Significance, but I’m not sure that pouring more concrete is the only solution. Investing in digital infrastructure – systems that predict and help manage traffic flows, for example – needs to be explored.

Wellington’s size makes it ideal to be a pilot city for this kind of smart transport technology projects. Successful projects in digital infrastructure – systems that predict and help manage traffic flows, for example – need to be explored.

Wellington’s size makes it ideal to be a pilot city for this kind of smart transport technology projects. Successful projects in digital infrastructure – systems that predict and help manage traffic flows, for example – need to be explored.
A first glance, you’d struggle to find something wrong with Vancouver. Of course, the city’s beautiful natural setting – nestled between the Pacific Ocean and Canadian Rockies – plays a part, but so too does its many other qualities. No downtown freeway here, nor poorly designed architecture or lack of green spaces. The city’s Mayor, Gregor Robertson, is quick to pay tribute to his predecessors for inheriting such a world-renowned urban environment. “We are benefiting from very good decisions made over generations,” he says. “There is the wilderness that surrounds the city, the ocean and beaches and forests. It is an idyllic environment and, fortunately, this has always been taken into account as the city has grown and expanded. Their challenge was to build a city that respected that environment and setting and, today, it is our responsibility to maintain it and make sure that quality of life and environment is paramount in the decisions we take.”

As cities go, few can beat Vancouver for natural setting and general livability. But Mayor Gregor Robertson is determined his city won’t rest on its laurels.
A proud history
Vancouver was formed 126 years ago. As the town grew into a city – thanks largely to high levels of immigration from both Asia and Europe – some “smart decisions were taken at key times,” says the Mayor. In the 1920s and 1930s, the watersheds next to Vancouver were protected for perpetuity, protecting a clean and beautiful stretch of water. In the 1950s, clear decisions were made to densify the downtown core. They looked to Manhattan or Asian and European cities to focus development in the city center. This was different to many North American models that have led to outward sprawl.

“In the 1970s, there were decisions made to protect the agricultural land reserve surrounding the city. The other big departure from North American cities was to stop freeways from coming into our downtown. Vancouver has a big trans-Canada freeway on the city outskirts, but the whole downtown and surrounding area is not saddled with freeways like so many other cities on our continent. This is much better for public space and urban planning,”

Vancouver’s community has also come together. One of the most multi cultural cities in the world, with about half of its population of Asian descent and the other half European. Vancouver now enjoys an enviable level of inclusivity. “Although, in the past, we experienced our share of immigration issues and tensions, today we have a very peaceful and positive society,” says the Mayor. “All these cultures have come together and now live in harmony.”

But challenges remain
So it’s clear that Vancouver has a strong foundation. The city hosted a successful Winter Olympics in 2010 and has emerged from the financial crisis in better shape than many other cities in North America – not least because of its long focus on building up a knowledge-based creative economy within its city borders. But that’s not to say Vancouver is an urban utopia – free from the problems that blight other cities around the world. Far from it. The city is one of the least affordable cities in the world – a fact that Mayor Robertson readily concedes. “We have levels of poverty and homelessness that would surprise many,” he says. “In a city as affluent as Vancouver, we have people sleeping on our streets and it has been a big focus of mine to ensure that no one has to sleep outside, particularly during our cold winters. This is a problem that has been created by a very high price of land and a lot of pressure on development, and this has led to poverty and homelessness at the same time. There is a lot of work to do to make sure our city offers the best quality of life to every single person who lives there.”

There are also challenges with transportation and housing. “We are constantly looking for senior government funding to support big projects that are essential to deal with the affordability issue,” says the Mayor. “Financial support is also needed to ensure our transit system can cope with the growing population of our region – some two and a half million people. In Vancouver, we have about 40% of people out of their cars and instead using public transit or walking and cycling, 40% is a high proportion and only New York is ahead of us in North America, but we are focusing on hitting 50% by 2020.”

On the horizon
When examining his current priorities – and factors behind Vancouver’s recent successes – the Mayor says that ensuring its citizens feel that they are contributing to the solutions is crucial. “We have had a very vigorous process of community engagement on the goals we have set for our city,” he says. “We have had great success in opening up our data and crowdsourcing. We’ve had some great ideas come from these efforts that we can put into action.”

He also cites political courage and the will to deliver transformative change. “We can’t shy away from this, even though we have to be careful about how fast we push the pace. But political will is essential and community will is part of that – and this ties into the community engagement; we need to build the case for change and enable them to be part of it.”

Mayor Robertson has set some big goals going forward. While ending homelessness by 2015 and making Vancouver the safest big city in North America rank highly, chief among them is the aim to make Vancouver the greenest city in the world by 2020.

Although Vancouver is widely lauded for its environmental track record, the new plan sees a set of ambitions ranging from greener transportation to zero waste to achieving an even lighter carbon footprint. “We now have a proposal that 35,000 Vancouverites contributed to, with 15 specific targets in 10 areas and an action plan that is now being implemented,” says the Mayor. “I’ve put a lot of our focus on the green economy and the creative economy. These are really crucial for our future and to help us as we transition away from the resources industry. About 35% of the jobs in Vancouver are in the creative and green economies.”

Mayor Robertson believes we are at a pivotal moment – both for the global economy and the cities that are on the frontline of shifting demographics and stretched resources. “It is important for city leaders to share and exchange information,” he says. “We need to look at what other cities are doing, and all of us have to strive to do even better.”

It is an idyllic environment and, fortunately, this has always been taken into account as the city has grown and expanded.

We have had a very vigorous process of community engagement on the goals we have set for our city.
The production line
We look at the latest Ernst & Young thought leadership and upcoming webcasts

Ernst & Young Rapid-Growth Markets Forecast webinar
Date: 25 October 2012
Time: 15:00 GMT
www.eymph.com/rapidgrowth

Rapid-growth markets are becoming ever more important. In large part this is down to their recent track record – they have grown on average by 5.6% per year over the last decade, more than three times as fast as the advanced economies combined. But, importantly, their future potential is only now becoming clear. Continued industrialization and urbanization, along with strong population growth and emergence of a substantial middle class, will further encourage their continued expansion.

Although there has been a slower rate of expansion this year, a return to significant growth is likely from 2013. Soaring domestic demand in economies will offer business exciting new markets for goods and services in the years ahead. For example, in 2011, two-thirds of consumer spending across the world came from the advanced economies, with the remaining third coming from the emerging markets. However, in 25 years’ time, emerging Asia alone will have overtaken the advanced economies as the key source of consumer spending, responsible for almost 40%.

Ernst & Young’s Rapid-Growth Markets Forecast delivers quarterly economic insights on macroeconomic trends across 25 rapid-growth markets which have been selected based on the size of the economy and population, strategic importance for business and proven strong growth and future potential.

The next edition, which will be published on October 25, suggests that although the fragility of the global economy has impacted rapid-growth markets, they remain partly protected by resilient domestic economies, fiscal stimulus and by the easing of monetary policy and credit conditions earlier in the year. Three countries stand out as potential newcomers in our top 25 rapid growth markets. Alongside China and India, Indonesia, Turkey and Vietnam are high-potential economies, all with strong demographic profiles. Meanwhile there are countries that risk losing the top 25 position such as Argentina and Egypt.

To launch this edition, a panel of macroeconomic specialists will discuss recent developments and the implications for business across these areas. You are welcome to contribute to the discussion by posting your questions or comments directly via the link above.

Global job hot spots – help wanted
As the world struggles to pull itself out of a disheartening economic downturn, entrepreneurs are providing a crucial resource in painfully short supply: jobs.

Ernst & Young recently conducted a survey of more than 8,000 Entrepreneur Of The Year winners and we found that our respondents expanded their total workforce an average of 16% in 2011. In the US, respondents grew their headcounts an impressive 18%, Asia Pacific 16% and Europe 12%. And they anticipate creating more jobs in 2012, with 68% expecting to expand their workforce in the country where they are headquartered, and 44% expecting to expand outside.

It also emerged that many of the jobs they are creating are high quality. Most respondents hired experienced non-management employees and entry-level employees with university degrees than they did administrative employees or entry-level workers without university degrees.

Of entrepreneurs who expect to hire outside their headquarters country in 2012, 74% named “entering a new market” as one of the most important factors. When hiring abroad, they are seeking growth opportunities, not to arbitrage labor costs or regulatory burdens. Only 14% named “taking advantage of lower labor costs” and just 8% named “better government regulations, policies, and incentives” as important reasons to hire outside their headquarters country.

Of course, entrepreneurs are hard-bitten realists as well as visionaries. They believe that the public sector in their headquarters country could do better.

Significant negative factors affecting 2012 hiring plans included government policies in areas such as education and fiscal balance, followed by the regulatory climate.

Entrepreneurs on the whole are not satisfied with the quality of their local workforce. In choosing their top three positive and negative factors affecting their 2012 hiring plans, only 9% included the quality of the local workforce as a positive, whereas 13% indicated the local workforce as a negative factor. Many of our respondents said they have taken steps to address the quality of their labor pools: one in four of these entrepreneurs has created, endowed or served as the primary sponsor of an educational program.

In Ireland, the US, the UK and Australia, they expressed little confidence in the overall direction of their country’s economy. By region it is interesting to note that Europe and Asia-Pacific share a “medium” confidence level.

But, despite these concerns, it is clear that these entrepreneurs are continuing to start new businesses and expanding their current ones, boosting the global economy in their wake. Read more at www.eymph.com/qj/en/services/strategic-growth-markets

Brazil attractiveness survey
A stable economy, a burgeoning domestic market and huge untapped reserves of natural resources have led foreign investors to become increasingly interested in Brazil as an investment destination, although there are challenges to sustaining this attractiveness, according to Ernst & Young’s first annual Brazilian attractiveness survey.

The survey combines an analysis of foreign direct investment (FDI) into Brazil since 2007 with a survey of 250 global executives on their views on Brazil as a potential place to do business both now and in the future. Despite an unsettled world economic outlook, Brazil saw a record number of FDI projects in 2011, establishing it as the second-most popular global destination in terms of FDI value and fifth in terms of number of projects. The value and number of inward investment projects to Brazil has tripled since 2007 from US$196b to US$63b and from 165 in 2007 to 507 last year respectively.

Jim Torkel, Chairman and CEO of Ernst & Young, comments, “Brazil has transformed itself from a country with bleak economic prospects created in the 1970s to a formidable force in the global economy. Part of that success story has been Brazil’s ability to position itself as an increasingly attractive place to do business. The future has its challenges but the hosting of the FIFA World Cup in 2014 and the Rio 2016 Olympic and Paralympic Games will contribute to infrastructure development and act as a catalyst to attract significant additional investment into the country.”

Last year, the US continued to be the largest investor in Brazil in terms of projects (up 43% to 149), value (US$12.4b) and jobs created (35,195). This is largely explained by the geographic proximity and the development of trade agreements between the two countries. Historically, US investors have primarily targeted the ICT, manufacturing, business services and financial services sectors in Brazil.

The UK jumped from being the fifth-largest investor in Brazil in 2010 to second in 2011 by project numbers with 45 and the total value of UK investment was nearly on a par with the US at US$12.2b. Spain was the third-largest investor into Brazil with Germany fourth in terms of projects numbers. Although the value of German investments remains low at US$3.0b, this is likely to increase in the near future, given the involvement German corporates have with the infrastructure upgrades for the World Cup and the Rio 2016 Games. Both Germany and Japan, which ranks fifth and increased its FDI projects by 57% in 2011, are also beginning to invest heavily in the energy sector.

Read more at www.eymph.com/attractiveness
Emerging power

Mexico may not receive the publicity of the BRIC countries, but it’s a market that should not be overlooked. Already the 12th largest economy in the world, according to International Monetary Fund figures, in 2011, the country grew approximately 3.5%, and in 2012, the growth is predicted to be 4%. As an energy exporter, the current high oil prices should also boost growth. At this rate, by 2040, some forecasters predict it will crack the top 10.

Among the advantages Mexico offers investors are:
- Free trade agreements with 44 countries and counting, giving it direct access to more than 60% of global GDP
- A much friendlier business environment than most hard-charging growth markets
- The World Bank ranks it 53rd in the world, compared with 91 for China, and 132 for India; it’s also far ahead of the Latin and Caribbean average, which the bank ranks at 95th
- A young and increasingly educated population – a total of 48% of the population is under 25, and many of them – over one million students – are now studying engineering and other technical subjects
- Rising incomes – with average per capita income of US$15,121 in terms of purchasing power parity, according to the International Monetary Fund. Mexico is a consumer market with vast potential. Of course, enormous challenges remain. As is true of many developing countries, Mexico needs better infrastructure and an improved regulatory regime but political brinkmanship from political parties has interfered with the much needed structural changes. These include labor reforms to make the job market more flexible; energy reforms to increase private investment in the country’s potential but huge oil and gas sector; and tax reforms to reduce the Government’s dependence on oil revenue, while increasing the public coffers to pay for infrastructure and greater security.

After the 2012 presidential election, two important sectors – oil and utilities – are likely to be more open to private investors for the first time. The liberalization of these sectors should create many opportunities for outside investors and private investment in oil exploration, energy infrastructure and energy utilities, likely enabling Mexico to grow faster.

Mexico has underachieved economically in the last two decades, but the outlook is bright. Its strategic location and competitive pricing have strengthened its position in the production and distribution of goods bound for the US in the wake of the financial crisis. The country is also benefitting from its young and growing population, as well as drawing strength from having some of the lowest private-debt-to-GDP ratios in the region – roughly 20% compared with 50% for Brazil and 80% in the case of Chile.

Ernst & Young’s Mexico Government and Public Sector practice is preparing and building the capabilities needed to advise the Mexican Government in delivering the upcoming changes. As of today, Ernst & Young is a strategic provider of advisory services to one of the most important energy companies in Mexico, PEMEX, a state-owned oil company and the world’s second largest non-publicly listed company by total market value. We also advise other key sector organizations such as ProMexico, an organization that promotes FDI across the country.

In the past three years, our Government and Public Sector practice in Mexico has also managed to consolidate its presence in compliance services at the state and municipal government level, primarily in public account audits and advisory services in the implementation of government standards.

At Ernst & Young Mexico we are excited about the future and Mexico’s outlook, and will undoubtedly work alongside Mexico’s government and public sector in the upcoming challenges – specifically in infrastructure, climate change and sustainability, modernizing and growth and innovation and public policy in general.

We meet …

Introducing a new feature in Citizen Today, we talk to Ernst & Young’s new Global Infrastructure Leader, Bill Banks, about the state of the market and key infrastructure challenges around the world.

The global economy continues to appear very fragile. What impact has the economic uncertainty had on infrastructure development in both developed and emerging countries? We are seeing increased pressure on the ability of governments in both developed and emerging countries to find the necessary funds for infrastructure development. In many economies, especially in the developed world, that the poor economic performance has been exacerbated by a lack of previous investment, especially in roads, oil and ports. This has increased the size of the supply chain and led to escalated costs and further erosion of profits in markets where increased costs cannot be passed on to end consumers.

What are the main challenges that governments face in infrastructure development? Clearly, the more government can invest in establishing “anchor building” infrastructure that will deliver economic growth and prosperity to the nation, while also having the benefit of kick-starting the local infrastructure delivery market. We are also seeing much greater policy and economic rigor going into the selection of projects to deliver, as governments now see the benefit of robust economic/cost benefit analysis to ensure that they invest what limited capital they have in the projects that deliver the greatest economic return.

Looking around the world, can you pick out some countries that offer the greatest potential in terms of infrastructure development? To be fair, it really is a global opportunity at the moment with approximately US$400 to US$500 billion being the estimate of investment required in infrastructure. Asia Pacific, particularly India and China, have the most challenging market place at this time, due to lack of detailed policy and guidance material, which therefore inhibits the appetite for private sector capital. The Americas is another very strong market opportunity and while the European and Middle East market is possibly the most advanced policy terms, the increased fragility of these economies and markets again present different challenges to those in the infrastructure market.

Looking into your crystal ball, what do you think will be the state of the infrastructure market the next five to ten years? Brazil, Asia Pacific is providing a significant proportion of the opportunities.