

## **2.0 THE URBANISATION SCENARIO IN PENINSULAR MALAYSIA AND FEDERAL TERRITORY OF LABUAN**



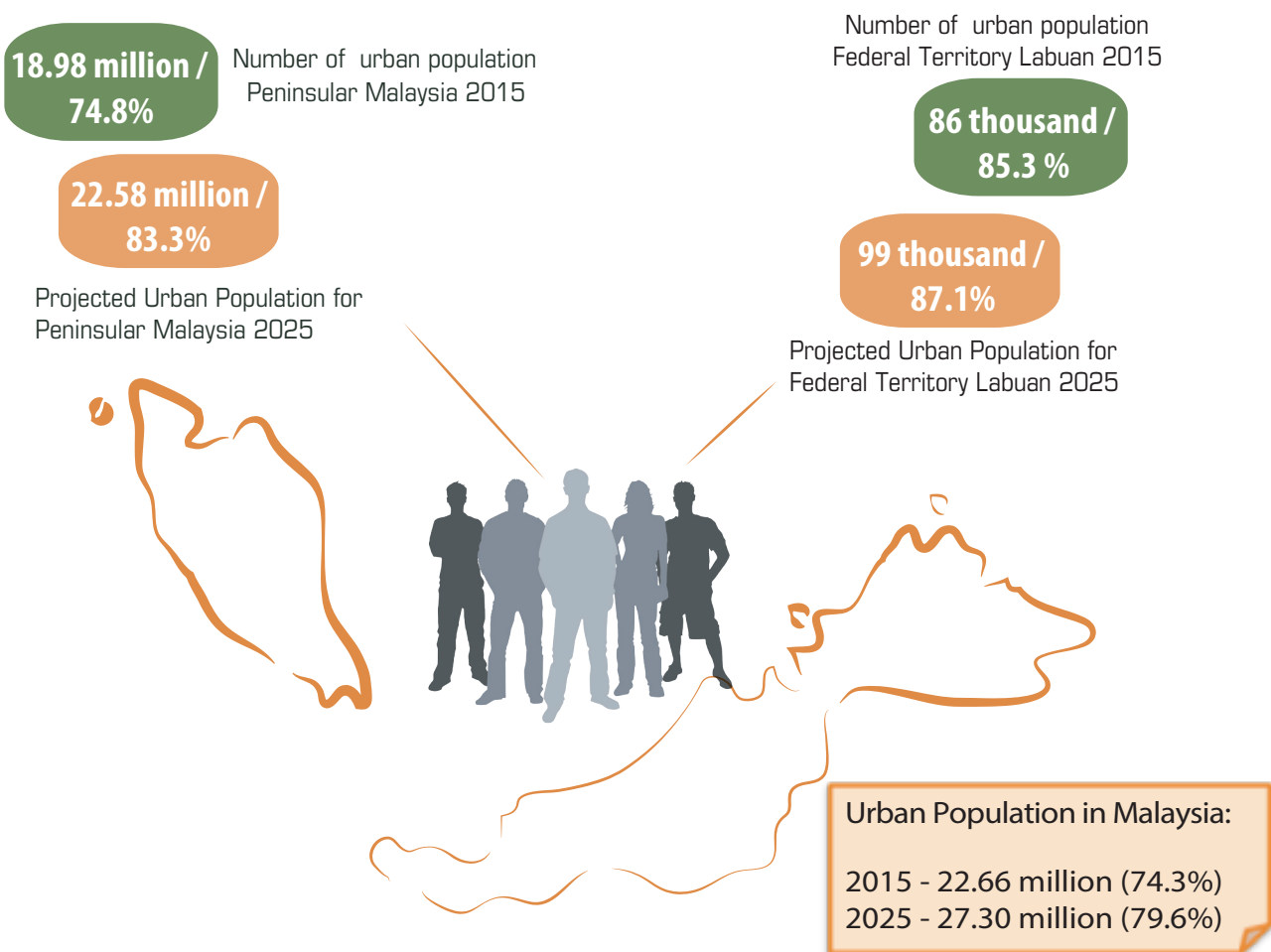


## CHAPTER 2.0: THE URBANISATION SCENARIO IN PENINSULAR MALAYSIA AND FEDERAL TERRITORY OF LABUAN

### 2.1 Rapid Urbanisation Development

Figure 2.1 shows the urban population of Peninsular Malaysia that is expected to increase from 18.98 million (74.8%) in 2015 to 22.58 million (83.3%) people by 2025. The Federal Territory of Labuan will experience an increase from 86,000 (85.3%) in 2015 to 99,000 (87.1%) by 2025.

**Figure 2.1: Urban Population Growth for Peninsular Malaysia and Federal Territory of Labuan**



Source: Department of Statistics Malaysia, 2015

The rapid urban growth has created several challenges which would require more systematic planning and management that is well planned and efficient to ensure harmonious and sustainable urban environments and communities.

## 2.2 Issues and Challenges

To address the challenges of rapid urbanisation, Malaysia will require a planning and management system that is systematic and efficient. Amongst issues and challenges of a high rate of urbanisation include city economic competitiveness, high cost of living, impact of global and climate change, preservation of agriculture areas and biodiversity, human capital development, provision of social amenities and strengthening urban governance.

In the current era of globalisation, economic competitiveness is not just amongst regional cities, but also between cities of a nation. The choice to invest in cities by multi-national companies depends on several pull factors such as stable economy and politics, a trained labour force, efficient urban governance, clean and attractive cities that are well served with comprehensive social and infrastructure facilities.

The Global Competitiveness Index, 2013-2015 shows that Malaysia ranked 20th out of 141 countries surveyed. Meanwhile, The Hot Spot Report 2015 - Future Competitiveness of Cities, 2013, showed that Malaysia stood at number 31 out of 120 nations listed (Refer Table 2.1).

The study by the World Bank on Achieving a System of Competitiveness, 2014 found that economic levels of major cities in Malaysia are still low and need to be up-scaled to ensure economic competitiveness of both cities and the nation.

**Table 2.1: Malaysia's Position in Global Competitiveness**

MEASUREMENT	MALAYSIA'S POSITION	NUMBER OF NATIONS (GLOBALLY)
1. The Global Competitiveness Index, 2014-2015	20	141
2. Hot Spot 2025 Future Competitiveness of Cities, 2013	31	120
3. Global Power City Index, 2014	34	40
4. Global City Index, 2015	53	84

Sources: 1. The Global Competitiveness Index, 2014-2015  
2. Hot Spot 2025 - Future Competitiveness of Cities, 2013  
3. Global Power City Index, 2014  
4. Global City Index, 2015

### 2.2.1 The Federal Territory of Labuan

Based on its position and function as the International Business Financial Centre (IBFC), the Federal Territory of Labuan should have a policy that outlines urban planning and growth. This policy is pertinent for its development to attract greater investment, in line with its functions.

Currently, 75 percent of investment in the Federal Territory of Labuan comes from companies operating in the Asia Pacific in which the wealth management instrument attracts (high net-worth individuals). Federal Territory of Labuan needs new injection and focus in the development of infrastructure and utilities which will generate increased investments and greater economic activities.

#### SUMMARY INFORMATION

Total Size:

**9,542 hectare**

Current Built-Up Area 2015:

**4,068 hectare**

Total Population 2015:

**86 thousand**

Total Population 2025:

**99 thousand**



Federal Territory of Labuan Town Centre

### 2.2.2 Rising Cost of Living in Urban Areas

The rising cost of living in urban areas is an issue and challenge that requires immediate action. Currently, there are 2.7 million households B40 with an average income of RM 2,537.00 per month whilst 2.67 million M40 households have an income between RM 3,855.00 and RM 8,135.00 per month which is 83% of these live in urban areas. These groups face hardships in increasing their household incomes and difficulties in getting housing close to centres of employment as well as obtaining a good quality of life.

### 2.2.3 High Costs of Housing

The high costs of housing in urban areas is a major problem, giving a burden to the buyer, owner and tenant. Prices of housing increased in the first quarter of 2014 by eight percent (8%) compared with the same period in 2013. Based on the housing price index Knight Frank Global, Malaysia stood at number 15 out of 54 countries in terms of housing price increase in 2014. The Housing Index Report by National Property Information Center (NAPIC) shows that the price of housing in Malaysia doubled between 1990 and 2013. The Khazanah Research Institute (KRI) study on housing affordability shows that housing in most urban areas in Malaysia are not at all affordable, standing at more than three (3) times the annual household income.



Double Storey Terrace House in Sungai Petani, Kedah



In 2012, the World Bank's Affordability Index showed that households throughout the country, except for Terengganu and Kelantan, but including the Federal Territory of Labuan, could not afford to purchase homes as prices exceeded the average household income by three (3) times.

#### 2.2.4 Increase in Vehicle Ownership

Population increase and greater economic activities in urban areas have impacted heavily on the transportation system which has to cope with the associated increase in travel demands. In 2010, about 30% of roads had traffic volumes categorised as very high. This became critical to congested levels at 44% by 2013.



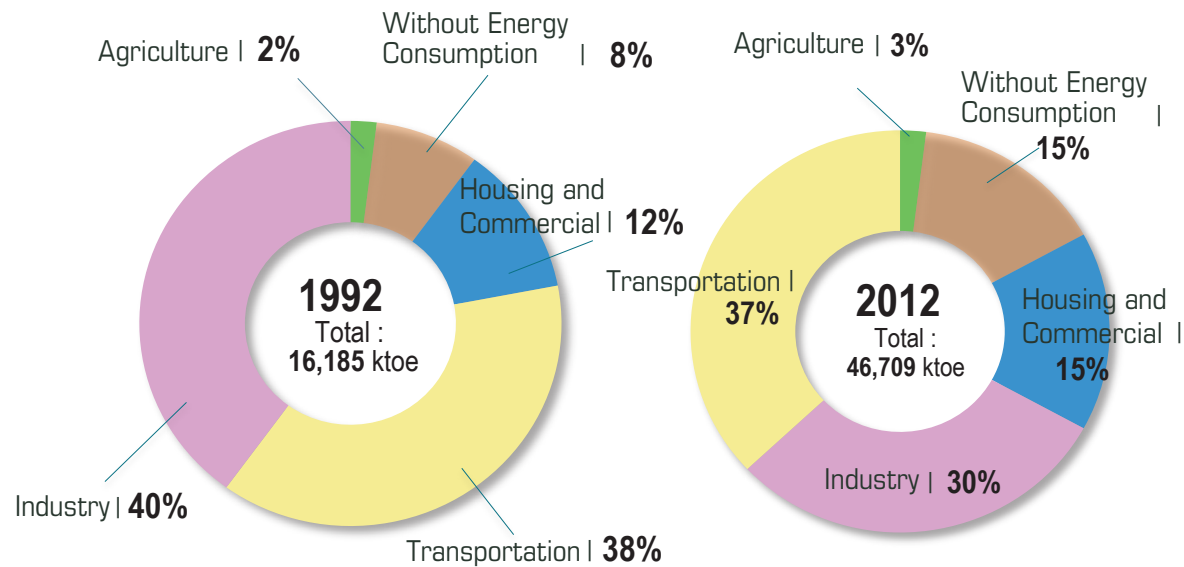
Kuala Lumpur Federal Highway

The situation is aggravated by the increase in vehicle ownership of Malaysians. For example, the number of registered vehicles has doubled from 10.6 million in 2000 to 23.7 million in 2013. The increase in vehicle ownership was partly due to the inefficient public transport system and high levels of single occupancy vehicles. This issue has to be addressed quickly so that destinations can be arrived at safely and within a shorter travel time.

2.2.5 Efficient Use of Energy and Resources

In 2012, the transportation sector was identified as a high energy user (37%) compared with the industrial sector.

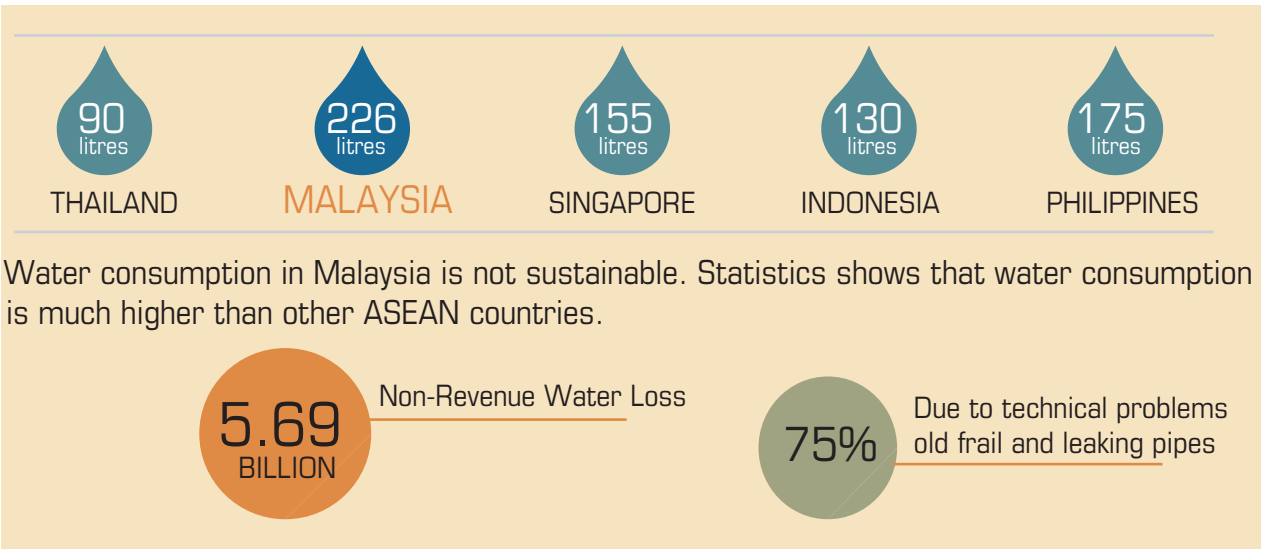
Figure 2.2: Average Energy Consumption



Sources: Energy Commission, 2013

A high urbanization rate will also mean an increase in water consumption. In 2013, the total water consumption was 10 billion litres per day, in which the Klang Valley alone consumed three (3) billion litres per day. Malaysia has the highest daily per capita water consumption rate when compared with the rest of Asia, which stands at 226 litres per day.

Figure 2.3: Region Per Capita Daily Water Consumption, 2013



### 2.2.6 Solid Waste Generation and Environmental Preservation

Other than the challenges described above, attention to the increase in solid waste generation should also be given, to ensure sustainable living. Currently, Malaysians generate an average of 1.64 kilogram of solid waste per person per day compared with 1.2 kilogram per person per day globally.

Environmentally, the increase in climatic temperatures has been 0.180 degree Celcius per decade since 1951. The impending rise in sea water levels is another challenge for the population of Malaysia. This is because most of the nation's urban areas are located along the shoreline as well as at river mouths.



Solid waste separation at source at rest area in Tokyo, Japan

## 2.3 Conclusion

The growth of cities need to be well planned in line with changing technology and current economic trends. In encouraging the growth of urban economic activities, focus has to be given to creating wealth that can be shared equally amongst all sectors of society. To ensure the sustainable growth of urban centres in Malaysia, the issues discussed prove to be the challenges that ought to be addressed in the formulation of the Second National Urbanisation Policy for Peninsular Malaysia and the Federal Territory of Labuan.



