

Committee Secretary
Senate Standing Committees on Rural and Regional Affairs and Transport
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Canberra ACT 2600

The future role and contribution of regional capitals to Australia

Submission by the City of Greater Bendigo

The submission is yet to be formally endorsed by the Council of the City of Greater Bendigo.

The City of Greater Bendigo (CoGB) welcomes the Senate Inquiry into *The future role and contribution of regional capitals to Australia*. The establishment of the Inquiry represents an important political and policy milestone through its recognition of the growing importance of regional Australia and the regional cities that perform the role of 'Regional Capitals'.

The CoGB submits that the Members of the Senate Committee should take the opportunity provided by the Inquiry to visit as many regional capitals as possible as part of their investigation. CoGB would be delighted to host a Senate Committee Public Hearing in Bendigo. Bendigo's location in central Victoria, with its ready access to much of northern Victoria and southern NSW, provides an ideal setting to host submitters and to demonstrate the role and function that a regional capital plays.

The CoGB is a member of Regional Capitals Australia (RCA) and supports its continuing advocacy of the role and importance of regional capitals as critical elements of Australia's future. CoGB is well aware of the research that has been undertaken on behalf of RCA and supports the overall findings of that work. The CoGB commends those publications to the Committee.

In accordance with the Committee's instructions for the format of a submission a summary follows:

Summary

The CoGB submission discusses the need for and what should comprise the definition of a regional capital. The discussion focuses on the concept of role and function. The City asserts that while population size is important, it is the role of the city and its capacity to provide facilities and services that 'substitute' for those available in a capital city that is the defining element. Such an approach properly recognises that remoteness is a key element as is the size of the hinterland served – not a simplistic population criterion.

The CoGB submission then addresses each of the Committee's terms of reference

In particular the submission notes that most regional capitals are experiencing population growth, in many cases rapid growth. The defining element should be that the growth has been sustained over a long period and that the elements are in place to support ongoing future growth. Further that growth has resulted in a progressive expansion in roles, but more importantly the regional capital has taken on roles that are in effect a scaled down version of the roles that would only be expected in a large capital city. The second theme of the CoGB submission is that funding arrangements that are in place and available through the Commonwealth and State governments provides no process to recognize these roles or to support them. In fact there is growing evidence that the capacity for regional capitals to fulfil their role and capacity is being restricted by funding arrangements being put in place by both state and Commonwealth levels of government. However, the benefit of a funding arrangement that recognises the role of regional capitals goes well beyond local government services and facilities. Regional areas are disadvantaged in respect to a wide range of indicators. In education low Year 12 completion rates and low higher education participation rates are just two examples.. The submission suggests a series of initiatives around a funding model that should be considered called leveraging the benefits of regional capitals and suggests some specific initiatives that should be considered by the Committee.

Submission

Defining the term Regional Capitals

Initially the CoGB submission notes that the Committee's terms of reference do not define 'regional capitals' – our submission provides the following commentary.

The CoGB submits that the term 'regional capitals' should be used as defining those cities across remote, rural and regional Australia, *distant from the five major metropolitan areas, which play a significantly wider role than simply serving their population and their immediate hinterland*. The term embraces large cities and in some cases small, that fulfill roles that are conventionally seen as played by the large capital cities. Because of size, relative remoteness, geographic reach, particular attributes or characteristics, these regional capitals play a role usually seen as being 'capital like', in that they provide facilities and services not normally associated with a city of that population size. For example they have a university or major campus of a University, high quality and large arts and cultural facilities, major regional libraries, sport and recreation facilities. Regional capitals broadly fall into one of four categories, in many cases aspects of more than one of these categories will be seen in many regional capitals.

1. Population Size – a regional capital has sufficient population, including in the hinterland that directly relates to it, to support a range of facilities and services that meet a range of needs for the people that relate to the regional capital where the only alternative is to access those in a distant metropolitan area.
2. Location - the regional capital is not a peripheral metropolitan area; it is sufficiently distant that residents can't easily and conveniently access the facilities in a metropolitan area.
3. Roles, Functions and Facilities – the scale of a range of roles, functions and facilities is substantially in excess of what the population of the regional capital could reasonably be expected to support if population level was the only requirement. This reflects that the regional community expects and requires roles and functions that are accessible and that relying upon a capital city is neither convenient nor equitable.
4. Administration - generally there is only one local government that covers the regional capital and at least the immediate surrounds. This provides identity, coordination and a basis for government working in a partnership with the regional capital.

Regional Capitals Australia defines regional capitals as

“ ... a regional city, located outside the state metropolitan urban growth boundary. A regional capital provides a central point to access essential infrastructure, services, business, employment and education for local residents as well as those in surrounding towns and rural areas. These cities perform a 'capital city' role within their regions.” CoGB submits that this definition provides a sound basis for distinguishing a regional capital.

The CoGB notes that the Australian Bureau of Statistics (ABS) has already made a submission to the Inquiry which is on the Committee website. The CoGB supports the ABS descriptor of “a regional capital as a *'service centre'* that meets the *'essential'* needs of its own population as well as a wider population in surrounding areas. The geographic boundaries of a regional capital could be defined by a number of different criteria, including; its urban extent, population size, population density, and remoteness. By applying a consistent criteria to defining the geography of a 'regional capital' this will ensure a sound basis for comparative analyses.” Reference to the ABS capacity to support the documentation of regional capitals highlights the need for the Committee and the government to note that the ABS should be funded to complete the full 2016 Census which is vital for the ongoing work of regional capitals and for government policy development around this issue.

The CoGB submission then addresses each of the terms of reference and offers specific comments using Bendigo as an example of the role of a Regional Capital.

Current demographic trends and the changing role of regional capitals;

While a regional capital can exist without population growth, the nature of the role that it is playing is usually associated with population growth. The commentary below principally relates to regional Victoria and uses Bendigo as an example.

It is our contention that one of the defining elements of a regional capital is sustained population and economic growth based on the regional capital attracting people and investment. Population growth should not be just an excess of births over deaths, but where in-migration is considerably stronger than out-migration. In other words the regional capital is sustained by a net inflow of new people attracted by the qualities and facilities of the place, the employment prospects and the role it is playing.

How Regional Victoria Has Been Growing

An examination of how regional Victoria has been growing demonstrates the realities of investing in major regional cities. Even though they are well connected to Melbourne they have distinct identities and roles.

The key regional nodes which link the metropolis to the wider State hinterland, that is, places like Ballarat, Bendigo, Geelong and the Latrobe Valley, experienced much more impressive growth. So what is driving population growth in those relatively few growing centres, which lie outside of the gravitational force of the metros? To a degree, the drivers in non-metro areas will be fuelled by support services to local agricultural and resource production, that is, the localised aspects of 'off-farm' or 'off-mine' sourcing of business inputs. However, the heavy lifting in terms of population growth in these areas will lie in providing services to the local population. This population will increasingly demand more services because of ageing. Source: 'Regional Australia; drivers, prospects and policy directions': Dr. Marcus Spiller- SGS Economics and Planning Pty Ltd

How the City of Greater Bendigo Has Been Growing

The City of Greater Bendigo has clearly demonstrated the significance of these trends and it continues to benefit from major population growth, economic investment and its high profile as a liveable regional city.

Bendigo is currently delivering:

- 1,100 new homes a year,
- Population growth averaging 1,700 persons per year based on about 600 excess births over deaths and 1,100 excess in-migration over out-migration,
- Highest Gross Regional Product rate of growth of any Victorian regional city,
- Construction well underway of the \$630m expansion of the Bendigo hospital,
- Major extensions to the Art Gallery and Library completed in 2014,
- New 1,000 seat Ulumbarra Theatre opened in April 2015.

In order to support this development the City has forged ahead with major strategic work to underpin investment, including the following initiatives:

- Greater Bendigo Residential Strategy - adopted 2014,
- Hospital Precinct Strategic Plan - adopted 2014,
- Rosalind Park Master Plan - adopted 2014,
- Economic Development Strategy - adopted 2014,
- Integrated Transport and Land Use Strategy Plan - to be adopted 2015,
- Commercial Land and Activity Centres Strategy - to be adopted 2015,
- Marong Business Park Planning Scheme Amendment - on public display 2015,
- Housing Strategy - to be adopted 2015, and
- Open Space Strategy - commenced 2015,

Bendigo is the key centre in a region with vibrant, innovative, sustainable and connected communities offering a diversity of lifestyles, building on our heritage, natural environment and agricultural landscapes. The whole region is planned to be home to some 300,000 people by 2041, with access to employment, infrastructure, educational opportunities, healthcare and other services. It is widely understood that Bendigo will accommodate the majority of growth in the Loddon Mallee South region over the next 30 years.

Large regional city local governments assisting state and federal governments to deliver better regional services – they:

- Have high profile roles in their regions and carry much of the image, identity and development of their region,
- Take on functions and roles that metropolitan Councils are not required to,
- Have high profile advocacy roles with governments at all levels.
- Command all of their urban area in a single government entity and generally have a large surrounding rural area. This means that all the development of their immediate region is within their purview.
- Act on behalf of their whole community around a range of issues that many local governments are generally not required to play a lead role in.

In short, large regional city local governments are across a diverse range of issues covering matters such as: education, health, public transport, community safety, employment, economic development, tourism, cultural development and private investment. Significantly, and in contrast to local government in metropolitan areas, they are required to support and maintain a whole network of facilities. Councils in metropolitan areas would only look at one or two examples of the following facilities, all key elements of a regional capital; airport, art gallery, show grounds, botanical gardens, performing arts centre, livestock exchange, major theatre, tourist information centre etc.

State governments, such as Victoria, are now looking to regional capitals to take an increasing share of the state's population growth, relieving the pressure on Melbourne by provide and managing land supply, accommodating more investment, and providing real alternatives as places where people can live.

Regional capitals have proven to be ideal locations for relocating specialist government agencies. The success of relocation of the Rural Finance Corporation and a major office of the State Trustees to Bendigo are testament to the value of that program. Both organisations report increased job satisfaction, higher productivity and staff retention.

Bendigo has the capacity to play a leading role with an enhanced regional and local decision making model. Bendigo has demonstrated the capacity to deliver major projects that have been financially supported by the Commonwealth government with the latest being the 1,000 seat Ulumbarra Theatre opened in April 2015 on time and within budget. Those projects have made a substantial contribution to the Council's overall goal of '*Greater Bendigo - working together to be Australia's most liveable regional city*'. Building on our central location, our unique 'city in the forest' setting, our outstanding and highly valued Victorian heritage and major assets like the Bendigo Bank, the Bendigo Art Gallery, our award winning new Library, our new Ulumbarra Theatre converted from the former Bendigo Gaol and the most innovative high value specialist manufacturing enterprises of any regional centre in Australia, Bendigo is rapidly emerging as 'one of the great small cities of the world'.

All these factors combine to provide an exciting and expansive opportunity for Councils like Bendigo to work in partnership with the federal and state government in coordination, innovation, and capacity building through better recognition of a regional capital role.

Current funding provided to regional capitals and benefits of additional funding and policy measures that would support sustainable growth in regional capitals

There is no specific funding program that recognises the distinct and potential key role played by regional capitals. The CoGB urges the Committee to consider this as a major recommendation of their final report.

The CoGB brings to the urgent attention of the Inquiry that recent actions by both the Commonwealth and Victorian state government severely limit the capacity of local governments to proactively pursue and strengthen the role of regional capitals. In particular the Commonwealth government has frozen the indexation of the Federal Assistance Grants in the 2014 budget for three years. Regional capitals are struggling to keep up with the impacts of population growth. It is estimated that across the whole of Australia this is effectively a \$925m cut to communities over three years. Local services and infrastructure will be impacted in every regional capital. This situation has been further compounded by the Victorian government's recent introduction of rate capping from 2016 linked to CPI.

In the CoGB submission to the Government's Green Paper on Agricultural Competitiveness the City emphasized the importance of investment in regional transport infrastructure, in education and health, the arts and culture as providing a strong economy and a liveable regional centre. Agricultural investment is more than just seeing an opportunity in the natural resource base, those investing must see a liveable region that offers a range of services and facilities that support them and their families and communities. Often these facilities and services will only be found in a regional capital. There is a need for critical infrastructure investment: road, rail, air, telecommunications and IT that support productivity in rural and regional Australia, including the provision of the national broadband network and removal of mobile phone 'black spots'. Supporting strong and vibrant regional capitals provides essential support facilities and support services that facilitate and underpin agricultural investment across rural and regional Australia. The proposal in the Agricultural Competitiveness Green Paper relating to the development of airport freight hubs has particular implications for Bendigo. While the movement of high value agricultural product from freight hubs is an important role of regional airports, modern well equipped regional airports support agricultural competitiveness in many ways. Industries, businesses and facilities that support the agricultural sector rely on passenger air services. Bendigo, which is the transport gateway to northern Victoria, one of Australia's most productive agricultural regions, is the largest regional city in Australia without a regular passenger air service. The regional development of Bendigo and the support it can provide for agricultural competitiveness is very substantially constrained by the state of the Bendigo Airport. Council is seeking \$5m through the National Stronger Regions Fund to match similar amounts committed by the Victorian State Government and the City of Greater Bendigo to ensure the necessary airport capacity for one of Australia's fastest growing regional centres. Bendigo has the capacity to be a leading regional air hub supporting the agricultural sector given the range of services it provides.

Bendigo as a regional capital is in a unique position as it is the only regional capital in Australia that is the headquarters of a top 100 company. The Bendigo and Adelaide Bank in Bendigo incorporating the Rural Finance Corporation of Victoria and the head office the widely acclaimed Community Bank network plays a leading role across Australia. A regional capital is a flagship head office. Bendigo Bank through its community banking program and profit sharing has invested well over \$100m back into regional communities.

The CoGB supports decentralising government agencies to regional capitals particularly where their functions and roles relate to regional services. Relocating portfolio agencies to regional centres could provide opportunities for better stakeholder engagement, improved service delivery and promotion of regionally focused programs. The Government should consider opportunities to develop regional research hubs through co-location with universities and other research providers. Bendigo is ideally positioned to support such a centre.

The submission suggests that Australia lacks a spatial approach and equity basis to meeting needs and that the general method in Australia of enabling five dominant metropolitan areas to be the prime source of provision of facilities and services deepens that division. The example of focusing higher education in five major cities and imposing huge additional relocation and cost of living burden on regional families is one example. That model stands in contrast to the model in New Zealand, US and Canada where regional capitals have been supported with the location of major universities that are leading institutions in their own right. The location of higher education provision is essentially in the hands of the institutions themselves. It is not in their interest to support regional capitals. The example of Otago University at Dunedin in New Zealand's South Island stands in contrast to Australia's model. Dunedin is New Zealand's seventh largest city yet it supports that country's highest ranked research university. Over 20,000 students including over 2,000 international students lifts a regional capital onto the world stage. Australian government policy appears bereft of such innovative approaches.

A particular focus of Council's submission is to ensure that the Australian government has a broader awareness and better understanding that regional capitals - such as Bendigo, play a vital role in the competitiveness of Australia and that one of the most significant actions that the Commonwealth can take is to invest in the physical, economic and social infrastructure of regional cities such as Bendigo.

The City submits that the future of Australian agriculture in particular is increasingly dependent on regional capitals providing quality support services to agriculture, agribusiness, the agricultural workforce, the movement of goods and commodities, communications, the retention of young persons in agriculture and the quality of life of the farming community. The regional capital role that the City plays is also vital for agriculture in central and northern Victoria and parts of southern NSW. Bendigo provides a series of support services in health education, finance, and social support that underpin the confidence of the agricultural sector to invest. Where parts of rural Australia lack those support infrastructure and services levels of investment and confidence in the future is impacted.

Historically Bendigo saw its wealth generated through both gold mining and farming produce. Bendigo quickly developed as a manufacturing and processing centre and a transport hub, roles that have continued. Today Bendigo is a thriving regional capital with population of over 100,000, a population growth rate of 1.7% per annum and directly serving a regional population of 200,000 centred on one of Australia's most productive agricultural regions. Bendigo has one of Australia's largest livestock exchanges, an intensive animal industry that directly and indirectly supports 3,000 jobs, and high level business services to the agricultural sector. While these roles and services directly relate to agriculture it is the presence of services in areas such as health and education that also provides critical elements of the regional economy and play a major role in providing the confidence for framers to invest in agriculture. Evidence of this role is that Bendigo is currently undertaking a \$630m expansion of its Hospital – the largest project of its type in regional Victoria.

The new larger Bendigo Hospital will serve much of northern Victoria and southern NSW. Having access to quality health services is vital for the agricultural sector. Similarly in education, the campuses of La Trobe and Monash universities in Bendigo assist in underpinning higher participation by rural students in education. Bendigo is currently developing a major business park at Marong west of Bendigo to expand the capacity of the city to service sectors such as agriculture and to provide an 'inland port' capacity. The investments are vital to continue to maintain the connectedness of our region.

There is a strong reliance of farmers, the agricultural workforce and their families on the vital role played by regional capital in underpinning their quality of life. A characteristic of much of rural and regional Australia has been the decline in the role and services played by many small towns and the subsequent loss of population. In contrast regional capitals such as Bendigo have assumed a much stronger role in supporting extensive regions. A more productive and competitive agriculture sector will further support county towns and regional capitals. Conversely strong regional centres with key infrastructure support agriculture and investment in agriculture. The agricultural sector and the families supported by it must have confidence that they possess a strong regional capital able to provide a quality range of services, facilities and infrastructure. In order to retain population in rural areas, particularly young people, strong well-resourced regional capitals that provide a base for further investment and secure access to critical infrastructure and services are vital.

Commonwealth investment in critical infrastructure such as airports, broadband, mobile phone coverage, regional rail freight and road networks and the distribution and hub role of regional centres it expands the likelihood of much greater private sector investment in agriculture. Poorly resourced regional centres will lessen investment in agriculture. Proposals such as directly connecting rail from Victoria to Darwin with rail freight through the national grid will drive efficiencies in transport and open up markets in Southeast Asia. Investments in transport infrastructure are a large component of Australia regaining greater competitiveness in agriculture.

The CoGB submits that this Inquiry provides a range of opportunities to take the partnership between the Commonwealth and regional capitals to a new more productive level. In particular, we submit that the CoGB is well positioned to be a pilot to investigate and develop new Regional Service Model and Strategic Directions for Regional Policies. Bendigo could assist the Commonwealth government to implement a mix of resourcing models that are well best suited to support regional capitals.

This new partnership would be based on:

- Providing for new levels of decision-making at the regional level, which reflect regional priorities to support growth, jobs, development and investment.

- The guiding principle would be to determine how more decision making can be undertaken at the regional level.
- A shared appreciation and understanding that processes used should involve people that live and work in the region in the key roles relevant to the decision making agenda.
- Involving people who live and work in the region because they have a real appreciation of the region and the role that we play in all areas of economic and social growth.

This approach would embrace a dedicated regionally targeted set of funding programs.

- Access to funds like a Regional Capitals Growth Fund - to tackle the underfunding of regional capitals in their capacity to deliver key facilities and programs for their communities.
- A better funding model so regional capitals are not impeded in their capacity to deliver regional development.
- An emphasis on joined up regional capital development supported by government.
- Using the concept of community led regional development which has advanced significantly in the last decade.
- Recognise that community based regional development takes a long time to embed – it requires patience and trust building.
- Having plans and programs that are community owned, rather than government imposed, is desirable. Government “supported” is preferable than government “owned”.
- Recognise that regional co-ordination comes at a cost.

This proposed regional capital approach for funding draws upon the idea of a partnership between the regional capital and the Commonwealth and state government. The benefit of specifically allocated funding would be brokered between the City and state and Commonwealth government to leverage specific defined benefits. The City is proposing this report as an elaboration of a current project to meet the increasing transport needs of one of Victoria’s fastest growing regional cities. The standard ‘business as usual’ case would have led to the City and VicRoads asking the State and Commonwealth Governments for substantially increased funds to continue to build greater capacity into its arterial road network. The City has developed an innovative strategy, which will require a sustained investment by Council and Government, but in more cost effective initiatives and actions. The CoGB has worked with nationally recognised consultants SGS Economics and Planning who have prepared an evaluation of this model. The following section quotes extensively from their report.

*Estimating the Dividends of Connecting Greater Bendigo -
Final report - Prepared by SGS Economics and Planning for
the City of Greater Bendigo January 2015*

Key elements of the report have identified that the City's proposed approach will

- Considerably slow the rate of growth in traffic volumes thereby deferring or avoiding expensive road works,
- Make better use of existing road and rail infrastructure,
- Increase patronage on bus services,
- Utilise the rail network and bus services to provide for suburban type services, and
- Result in a much healthier and more active population in a more liveable community.

This innovative strategy provides a much more cost effective set of significant funded initiatives and actions to bring about a substantial change in the way in which Bendigo meets its future transport challenges. Specifically in relation to Commonwealth funding it

- Improves the health of Bendigo's population, thereby reducing future private and public costs and increasing the productivity of the City
- Strengthens the City's employment base, in particular the commercial and retail core of the city and other key locations
- Improves productivity through the more efficient movement of freight through the City and the progressive removal of the need for large scale freight operators to enter the urban area by the development of new freight hubs on the periphery of the urban area
- Provides for a better connected, healthier and more liveable communities and neighbourhoods, and
- Accelerates population growth and investment in the city by making Bendigo a more liveable, fairer and sustainable City.

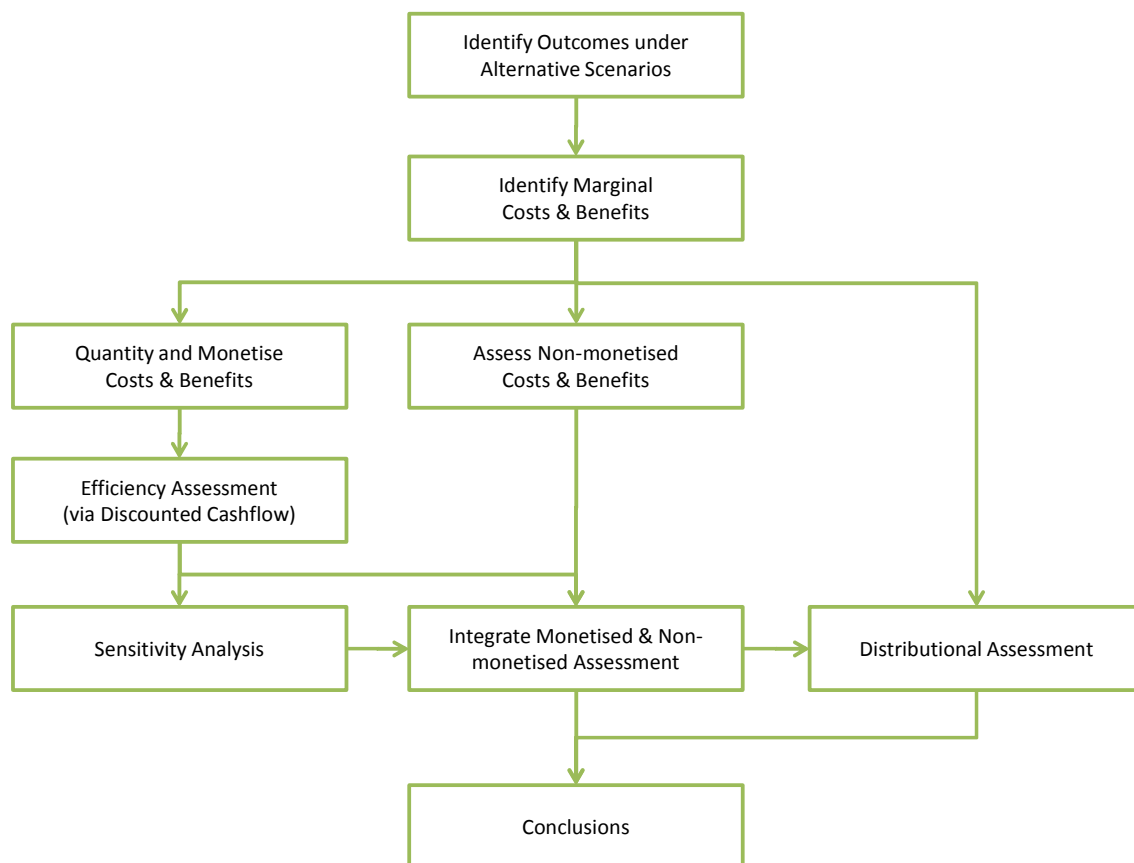
If these productivity and liveability benefits can realistically be expected, then investing in Connecting Greater Bendigo now will pay clear dividends to the community and to government over the medium to long term.

Funding for the implementation of this innovative program requires a business case to demonstrate the need for investment, the feasibility of investment, and the dividends that would be generated in terms of the:

- Financial impact on Government, and
- Welfare (economic, social and environmental) impacts on the community.

While assessing the financial impact on Government is restricted to Government financial revenues and financial costs, assessing the welfare impacts requires employing a broader cost benefit analysis (CBA) approach. The basic methodology for CBA is presented in Figure 1 below

FIGURE 1 COST BENEFIT ANALYSIS METHODOLOGY



Under CBA if the assessed benefits of an intervention (e.g. investment, policy, etc.) outweigh the costs, then the intervention is considered to be worth doing from an economic ‘efficiency’ perspective. Some important riders on this initial conclusion are:

- Not all costs and benefits can be quantified and then monetised (i.e. expressed in dollar terms) precisely given their inherent intangibility, often requiring decision makers to integrate quantitative and qualitative results
- The distribution of costs and benefits or the social ‘equity’ of outcomes may be unevenly experienced throughout society, rendering a potentially ‘efficient’ outcome as unworkable, assuming those adversely affected cannot be appropriately compensated for their losses.

The application of this methodology would lead to the following process:

<i>Task</i>	<i>Description</i>
<i>Identify outcomes under alternative scenarios</i>	A clear specification of the outcomes likely to result under the Business As Usual (BAU) scenario and under the ITLUS scenario over the long term.
<i>Identify marginal costs and benefits</i>	An identification of the costs and benefits that are likely to accrue if Greater Bendigo moves from the BAU approach to the preferred ITLUS approach.
<i>Quantify then monetise these costs and benefits</i>	A quantification and then monetisation (conversion to dollar values) of these identified costs and benefits.
<i>Efficiency assessment</i>	<p>A comparison of the monetised costs and benefits over the long term. This requires the use of economic discounting techniques to ensure future costs and benefits are converted to present day dollars to enable ready comparison.</p> <p>Several performance measures are generated in this process, enabling the relative merit of the ITLUS to be assessed.</p>
<i>Sensitivity assessment</i>	The performance measures are tested with respect to their sensitivity given changes in the underlying assumptions.
<i>Assess non-monetised costs and benefits</i>	<p>While the adopted approach attempts to monetise the bulk of the (costs and benefits, some cannot be appropriately monetised without significant market research and the subsequent application of non-market valuation techniques.</p> <p>It would be suboptimal to ignore these costs and benefits. Therefore, it is essential that they are appropriately integrated with the monetised assessment to ensure the overall evaluation is robust. A process including the clear description of these elements, their quantification into physical units (where possible) and their assumed weighting and subsequent scoring is recommended to this end.</p>

<i>Task</i>	<i>Description</i>
<i>Distributional assessment</i>	<p>The efficiency assessment assumes that if the benefits of the ITLUS scenario outweigh its costs then it is worth pursuing because, at least theoretically, any losers can be compensated for their losses by taxing the winners. However, in reality it is often difficult to effect such compensation arrangements and, therefore, it is important to identify any stakeholders that are disproportionately affected by the various scenarios.</p> <p>To this end, it is recommended that a thorough distributional analysis be performed, including identifying:</p> <ul style="list-style-type: none">- Who bears the identified costs or reaps the identified benefits in the first instance?- The significance of impact of these costs and benefits on the affected parties- If these affected parties can and/ or will effectively pass these impacts onto others, and- How each of the relevant stakeholder groups is affected in overall terms?
<i>Conclusions</i>	<p>Conclusions can then be drawn relating to the assessed economic efficiency and social equity of ITLUS implementation.</p>

This approach, cost benefit analysis within a broader business case process, is the standard approach for bidding for funding via the annual budget process. Following this well-travelled path is a sound approach for both the City and Government.

Capacity to tap incremental tax generation to fund ITLUS implementation

Given some of the productivity dividends that are foreshadowed by this approach e.g. more productive workforce, a strengthened city employment base, it is likely that Greater Bendigo will increase its generation of Goods and Service Tax (GST) and other taxes (e.g. payroll tax, excises, etc.) which ultimately flow to State Government.

Therefore, when it comes to assessing the financial implications for the State, important tasks will be to:

- Estimate the generation of taxes from the City's businesses and workers under the Business As Usual approach

- Identify those outcomes that are likely to lead to higher tax generation under a New Model of implementation (e.g. more productive workforce,)
- Model the degree to which increased tax is likely to be generated for the State given a New Model of implementation
- Demonstrate the financial return to Government of a New Model of investment given the increased tax revenues over the medium to long term.

This will enable the City to robustly negotiate with Government about the funding required to deliver the New Model.

Significantly the principles of this approach are now being adopted in the largest and most economically important English cities outside of London; i.e. under the label of City Deals. Under this approach:

- Each city is able to specify the particular powers and investments they need to make to boost local growth and development.
- Through a ‘revolving Infrastructure Fund’, the cities can ‘earn back’ a portion of the tax they generate by investing in infrastructure, on a payment-by-results basis.
- Investment is prioritised on the basis of the Gross Value Added and jobs generated per pound of public funding.

For example, in Greater Manchester the revolving Infrastructure Fund will enable the City to pay dividends to Central Government through additional tax revenues that result from the productivity benefits linked with:

- Creating a City Apprenticeship and Skills Hub to place apprentices with SMEs, as well as piloting a skills tax incentive and locally determined outcome payments to providers
- Strengthen Greater Manchester’s Business Growth Hub, which integrates trade, investment and businesses advice
- Establish a housing investment fund to use local and national investment to develop new housing, and
- A broad package of transport proposals encompassing devolution of the Northern Rail franchise, bus improvement measures and devolution of local transport majors funding.

Refer:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/221014/Greater-Manchester-City-Deal-final_0.pdf

This complementary approach of 'earning back' tax revenues is innovative and might prove to be the difference in enabling the City of Greater Bendigo to effectively engage with Government about infrastructure funding in an increasingly tight fiscal environment.

There is a growing research base which supports the implementation of initiatives akin to this model because it demonstrates productivity and liveability dividends.

This research has been developed for 'urban consolidation', 'smart growth', 'compact city' and other strategies that aim to increase development in activity centres and along transit corridors in established urban areas, and appropriately support this infill development with public and active transport infrastructure. In turn, the share of development in sprawling suburbs at the urban fringe is reduced, as is car dependency and ever increasing traffic congestion.

Four comprehensive studies draw from this international and domestic research base. These include the US Costs of Sprawl study (TRB & NRC, 2000), studies by SGS Economics & Planning in relation to the implementation of Melbourne 2030 (2007) and concerning alternative development paths in the Lower Hunter (2012), along with the alternative growth paths study for Sydney by the Centre for International Economics in 2010.

Universally these studies confirm that investment in infill and behaviour change style development is superior to Business As Usual outcomes, underwritten by the following benefits:

- *Non-urban land consumption savings* - with less non-urban land being available for productive uses such as agriculture, recreational, environmental and aesthetic uses.
- *Infrastructure connection cost savings* - particularly with respect to transport and utilities infrastructure but also potentially in terms of social infrastructure service provision. Infrastructure savings of approximately \$60,000 per household and upward have been estimated elsewhere.
- *Transport congestion cost savings* – with urban fringe residents being distantly located from jobs and services, resulting in lengthy commuting times and distances, as well as significant social and environmental costs. Household budget savings of in excess of \$100,000 over 20 years have been estimated elsewhere after accounting for differentials in housing prices and travel costs.
- *Labour force productivity enhancements* – as agglomeration economies and human capital benefits are generated by improved accessibility between employment locations and reduced congestion.

- *Improved housing choice* – as latent demand for inner and middle ring suburban living is effectively serviced, with prospective residents prepared to trade-off private space with improved accessibility to jobs and services.

Improved resident health benefits are yet to be factored into the analysis, though there is a growing research base connecting car dependent commuting, physical inactivity and ill health. Indeed estimates published by Medibank Private (2008) suggest that the total economic cost of physical inactivity was conservatively \$13.8 billion in 2008. Assuming Greater Bendigo's population base follows the Australian norm, an annual cost of \$65 million accrues in Greater Bendigo because of physical inactivity.

In terms of overall conclusions, the US Costs of Sprawl study highlighted that:

"In terms of costs, sprawl development consumes land and various types of infrastructure to a level that compact development does not..."

*... Overall, housing costs are greater under sprawl development...
...personal travel costs, primarily linked to the automobile, are higher in sprawl locations. This is due to an absence of transit and the inability to make non-motorized forms of transportation attractive" p.21. .*

This conclusion was reinforced in SGS's modelling in relation to the implementation of Melbourne 2030:

"The major benefits in Melbourne 2030...stem from transport savings, residential construction efficiencies and well accepted urban consolidated benefits (i.e. fringe land and network infrastructure savings)..."

...the preliminary cost benefit analysis undertaken indicates that the reorientation towards Melbourne 2030 will provide significant resource savings...benefits are expected to outweigh the costs at least by a factor of 3" p.25.

Savings were also forecast by the CIE in Sydney, with the growth path focussed on greenfield development generating net costs of \$11,000 per new dwelling, whereas the growth path focussed on urban renewal generating net benefits of approximately \$1,700 per dwelling.

And finally, in SGS's most recent work in the Lower Hunter:

"The results highlight that the Infill options provide a net improvement in community welfare, i.e. by generating significant net benefits, and are therefore more attractive development options in the Lower Hunter for the community at large. Alternatively, the Greenfield option is a net detraction from community welfare" p.49.

In Conclusion the SGS Analysis identifies that:

- *Pursuing (an infill and behaviour change) strategy will require significant investment but will deliver substantial productivity, liveability and health dividends to the community, Council and Government. Evidence elsewhere universally indicates that these investments are worth making.*
- *The process for estimating these productivity and liveability dividends, and assessing the net returns generated, are well accepted in Government and are integral parts of the existing budget processes.*
- *The City wishes to engage constructively with the Government on exploring a new Regional City Deal agreement (similar to those in the UK) so that infrastructure funding can flow to Greater Bendigo with government confident that increased taxation revenues will be returned in the years ahead.*

The CoGB submits that the work undertaken to date with the assistance of *SGS Economics and Planning* has demonstrated a highly effective new model of regional capital service delivery and funding. Further, that Bendigo and other regional capitals are well placed for the application of this model and that the model has considerable capacity to be adapted to other areas of regional service delivery.

The City is keen to work with government to implement this exciting project, to apply the approach more generally across a range of aspects of the regional economy and to progressively apply this information and approach with other regional capitals.