

Chapter 6

Supporting sustainable growth in regional capitals

6.1 The committee heard that a policy response to support growth in regional capitals would have flow on effects not just for that regional capital and its region, but also for the capital city in that state. For example, for every 100 000 people who find a job in a regional capital, around \$300 million a year in lost productivity through congestion is saved. Further, because house prices in regional capitals are lower, mortgages tend to be smaller, enabling residents spend more money in the local economy.¹

6.2 Throughout this inquiry, the committee was reminded that regional capitals are not a single group with the same set of challenges, opportunities and needs. Mr Perkins, Regional Development Australia Tasmania, summarised this view during the Launceston hearing:

...regional capitals are not homogenous. They are all different, and you will get different growth and different reasons for growth in different areas at different times. You have to be careful, and government policymakers in particular need to be careful that they do not make one policy for all, because it is not going to impact all. In fact, you might end up seeing money invested into some communities that actually has the reverse impact by money being spent in the wrong spots.²

6.3 Further, policy makers also need to take care to consult with regional capitals prior to announcing funding initiatives.³

6.4 Regional Development Australia Tasmania, and a number of other witnesses and submitters, recognised that Commonwealth funds are finite, and for this reason:

...evidence based strategic planning, and thinking through what are the key priorities to grow our regions, needs to be thought through, moving away from wish lists and wanting projects, rather than thoughtful and needing projects. From our point of view it is making sure the distribution goes to where it needs to go to and in the best way it can.⁴

6.5 However, there was a strong argument made in evidence for focusing investment on regional capitals and particularly those that are growing. The Grattan Institute concluded, on the basis of its research, that:

1 Mr Jack Archer, Chief Executive Officer, Regional Australia Institute, *Committee Hansard*, 4 March 2016, p. 1.

2 Mr Charles Perkins, CEO, Regional Development Australia Tasmania, *Committee Hansard*, 25 September 2016, p. 6.

3 Sister Mary Ryan, Director, Centacare Family Services, Geraldton, *Committee Hansard*, 28 October 2015, p. 56. See also, Regional Development Australia-Hunter, *Submission 39*, p. 4.

4 Mr Charles Perkins, CEO, Regional Development Australia Tasmania, *Committee Hansard*, 25 September 2015, p. 8.

Local job attraction schemes, regional universities, small scale roads and major infrastructure are all expensive, but they do not appear to materially accelerate slow-growing regions. But not investing in regions where we can get the best return for our tax payer dollars, we sacrifice higher overall productivity and economic growth.⁵

6.6 A number of regional capitals experience social disadvantage at a higher rate than capital cities, and this is particularly true for the towns that surround regional capitals.

6.7 The committee was reminded by a range of witnesses, including Catholic Social Services Australia (CSSA), that effort should be made to ensure that the economic development of regional capitals is 'underpinned by a commitment to fairness and opportunity for all' and 'is done in a way that improves the lives of the most disadvantaged and does not cause further disadvantage to already vulnerable communities'.⁶ The committee heard that services should be better coordinated between providers and all levels of government. Further, governments should listen to local residents about their needs. CSSA identified a range of positive measures that could be supported to strengthen local communities in regional capitals. These included social enterprises to generate employment and bring social benefits.⁷ CSSA called for government programs to incorporate a focus on 'social service needs' and 'not just economic and employment' needs.⁸

6.8 The following recommendations contain measures that the government can take to support regional capitals to address the challenges they face and take advantage of their opportunities.

National strategy

6.9 Australian government policy does not reflect a particular focus on supporting regional capitals to grow and achieve their potential.⁹ The Planning Institute of Australia cautioned that the 'most significant weakness' for regional cities is 'the lack

5 Grattan Institute, *Submission 2*, pp. 1–2.

6 Ms Elizabeth de Chastel, Director, Social Policy, Catholic Social Services Australia, *Committee Hansard*, 4 March 2016, p. 11.

7 Ms Elizabeth de Chastel, Director, Social Policy, Catholic Social Services Australia, *Committee Hansard*, 4 March 2016, p. 11.

8 Ms Elizabeth de Chastel, Director, Social Policy, Catholic Social Services Australia, *Committee Hansard*, 4 March 2016, p. 12.

9 For example, the recent Infrastructure Australia report *Australian Infrastructure Plan*, discussed in Chapter 5, is indicative of the focus on capital cities: Mr Kim Houghton, Regional Australian Institute, *Committee Hansard*, 4 March 2016, p. 5. The focus of infrastructure on easing congestion in major capital cities was also noted by Regional Capitals Australia, *Submission 48*, p. 19. The tendency to focus on capital cities was identified by the Planning Institute Australia, *Submission 59*, p. 4.

of a national plan to co-ordinate and identify the relationships between regional capitals and Australian state capitals'.¹⁰

6.10 The need for a national integrated policy for regional capitals at both the state and federal level was identified as a key starting point to develop regional capitals. Regional Capitals Australia (RCA) called for a regional development policy that recognises the distinct role that regional capitals play.¹¹ Mr Archer, Regional Australia Institute, told the committee that:

Our view is that regional capitals are an issue that requires national leadership. They occur in every state and territory, but their development relies on local, state and federal government working effectively together, because local governments are leading local planning and doing a lot in the local community, the states are investing in health, hospitals and roads and so is the Commonwealth. I think there is an opportunity for national leadership to assist these places to get the focus they deserve, the resources that can support their development and coordination between the activities of those three levels of government, because we have not had a level of focus on these places, at the moment, and I think we are missing significant growth opportunities as a result.¹²

6.11 Professor Paul Burton called for national urban policy/settlements strategy, and urged that this strategy reflect and influence state and territory plans. Professor Burton warned that if a national strategy is not developed then:

...regional towns and cities will continue to make their individual cases for more growth (or in some cases limits to growth) in isolation and without reference to any sense of a bigger picture. While some regional towns and cities might succeed in their ambitions, most will not and are likely to devote scarce resources in pursuit of unfeasible and implausible ambitions.¹³

6.12 Mr Bob Davies, City of Greater Geraldton, noted the absence of a 'coherent policy and strategy framework' at the national level. Any strategic plan should include a target of population movement from capital cities to regional capitals. During the Geraldton hearing, Mr Davies explained that:

It would be lovely if there were some guidance at the Commonwealth level in relation to regional capitals—the way that Regional Capitals Australia defines regional capitals, the places which are the hub-and-spoke thing that everyone out there depends on—which simply said, 'Our policy for the regions is that 15 per cent or 30 per cent of the population should move there by the year 2050.' And if states and COAG could come to a view on

10 Planning Institute Australia, *Submission 59*, p. 4.

11 Regional Capitals Australia, *Submission 48*, p. 5; Regional Australia Institute, *Submission 69*; Australian Sustainable Built Environment Council, *Submission 45*.

12 Mr Jack Archer, Chief Executive Officer, Regional Australia Institute, *Committee Hansard*, 4 March 2016, p. 2.

13 Professor Burton, *Submission 84*, p. 3.

that, that would be very helpful. It would send very strong signals, for example, to the financial institutions and to other financing bodies and to superannuation institutions and so on about where might be a useful place to begin to invest.¹⁴

6.13 The committee considers that a national strategy for regional capitals is essential and should incorporate a focus on both social needs and economic benefits. As a starting point, however, there should be an agreed definition of regional capital.

Recommendation 1

6.14 The committee recommends that the Australian government work with state governments to develop a definition of 'regional capital'.

Recommendation 2

6.15 The committee recommends that the Australian government work with state and territory governments and regional capitals to develop a national strategy for regional capitals. As a starting point, the strategy should:

- **provide a framework for consultation between the respective governments and regional capitals;**
- **take into account the social needs and economic benefits of regional capitals; and**
- **provide an aspirational target of population movement to regional capitals from capital cities.**

Ensuring decision making and strategic planning is based on accurate data

6.16 Evidence before the committee demonstrated that it is impossible to determine the quantum of funding that regional capitals receive from the federal government and other sources. Regional capitals with large transient populations or who service populations in surrounding areas reported that without proper data, the federal government will continue to make funding allocations based on the number of residents and not on the actual number of people who use the services of regional capitals. The absence of quality data makes it difficult to assess the effectiveness and equity of government funding, and the needs of each regional capital.

Recommendation 3

6.17 The committee recommends that the Australian government develop a national data set focused on regional capitals. Specifically, data should be gathered on:

- (a) **who is using the resources in each regional capital (including non-residents);**

14 Mr Bob Davies, Director of Corporate and Commercial Services, City of Greater Geraldton, *Committee Hansard*, 28 October 2015, p. 37.

- (b) **how much Commonwealth and state funding is provided to each regional capital; and**
- (c) **the projected growth of each regional capital.**

Fit for purpose roll-out of the National Broadband Network (NBN)

6.18 As discussed in Chapter 3, the NBN is a crucial piece of infrastructure for regional capitals. However the rollout has been delayed at times and service quality varies. RCA observed that access to the NBN is both an economic and social equity issue:

It is clear that the internet has become both a critical business and communication tool and an essential lifestyle service. It is therefore vital that regional capitals have the high-speed internet to promote the practicality of moving businesses and individuals to regional capitals. To attract 'young wealth creators' and their associated high-tech industries, high-speed broadband is crucial.¹⁵

6.19 The committee considers that the growth of regional capitals is closely connected to, and dependent on, access to the NBN.

Recommendation 4

6.20 The committee recommends that the Australian government accelerate the roll-out of the National Broadband Network to all regional capitals across Australia.

Enhancing the role of regional universities

6.21 A skilled workforce is needed to ensure that regional capitals can respond to opportunities for growth. As discussed in Chapter 4, regional universities perform a critical role in supporting regional capitals to achieve their potential. Regional universities can reduce skills shortages in the regions — a problem identified by many regional capitals and discussed in Chapter 3. This is because regional universities provide essential training and support to students *in the regions*. Evidence to the committee overwhelmingly indicated that students who are trained in regional Australia stay in regions.

6.22 The committee was particularly impressed by the work of organisations like the Geraldton Universities Centre (GUC) which supports students in regional capitals who do not have access to a local university.¹⁶ However, a number of limitations prevent organisations like the GUC from applying for federal university funding.¹⁷

15 Regional Capitals Australia, *Submission 48*, p. 36.

16 Geraldton Universities Centre, *Submission 81*. See also Ms Natalie Nemes, Director Geraldton Universities Centre, *Committee Hansard*, 28 October 2015, pp. 25–31.

17 The majority of higher education funding is administered under the *Higher Education Support Act 2003* (Cth). See also: <https://www.education.gov.au/funding> (accessed 13 November 2016).

Recommendation 5

6.23 The committee recommends that the Australian government modify the university funding criteria to enable organisations that support distance university education to apply directly for funding administered under the *Higher Education Support Act 2003*.

Tailored funding for regional capitals

6.24 Regional capitals perform an important function in their local communities, and provide a range of social services to surrounding towns. This was discussed in Chapter 2. Federal and state governments should recognise this important regional role in funding allocation and provide incentives for regional capitals to invest in infrastructure. Regional capitals require additional support to maintain important infrastructure that is used by non-permanent resident populations who do not pay rates in regional capitals.¹⁸ Federal funding should also recognise projected growth and not just the current or past population.¹⁹

6.25 Regional capitals described a range of urgent infrastructure needs to the committee. Federal funding should be reformed to ensure that regional capitals are able to access investment — both public and private — to secure the future of their communities. Both state and federal governments must consider reforms to the current limits on fundraising to enable regional capitals to do this. Further, greater cooperation between regional capitals and between governments of different levels is necessary.

6.26 The federal government's Smart Cities Plan has the potential to address some of the current funding deficiencies experienced by regional capitals, as discussed in Chapter 4. However, with only three City Deals announced and limited policy and implementation detail, it would be premature for the committee reach a conclusion as to the effectiveness of this new program.

6.27 The committee supports the recommendations relating to infrastructure investment made by the Senate Select Committee on the Scrutiny of Government Budget Measures (the select committee) in its second interim report, tabled in April 2016 (discussed in Chapter 5). The government has not yet tabled a response to these recommendations. Should the government implement the recommendations in full, the keys concerns raised by regional capitals regarding infrastructure investment will be addressed.

6.28 The committee notes the effective awareness campaign conducted by Evocities to promote the benefits of regional capitals to residents of Sydney, as discussed in chapter 3.²⁰ The committee considers that the Australian government should fund similar campaigns throughout Australia, to ensure that residents of capital

18 See for example, City of Ballarat, *Submission 27*, p. 14.

19 See, for example, City of Ballarat, *Submission 27*, p. 13; Tamworth City Council, *Submission 60*, p. 13. See also, Grattan Institute, *Submission 2*, Attachment, Investing in regions: Making a difference, p. 45.

20 Evocities, *Submission 56*.

cities are aware of the many benefits they could enjoy by relocating to a regional capital. Movement of residents from capital cities to regional Australia would also assist in containing urban sprawl and congestion in capital cities.

6.29 To ensure consistency with a national definition of regional capitals and national strategy, the Australian government should review its funding model.

Recommendation 6

6.30 The committee recommends that the Australian government undertake a comprehensive review of its funding model in relation to Australia's regional capitals.

Recommendation 7

6.31 The committee recommends that the Australian government work with the local government grants commissions in each state and territory to modify the Federal Assistance Grants program to ensure that the program recognises:

- **the projected growth of each regional capital; and**
- **supports regional capitals to fund the cost of maintaining infrastructure used by residents in surrounding regions.**

Recommendation 8

6.32 The committee recommends that the Australian government work with state governments to develop a shared methodology for infrastructure assessment.

Recommendation 9

6.33 The committee recommends that the Australian government fund an awareness campaign to promote the benefits and opportunities of relocating to regional cities.

Conclusion

6.34 Regional capitals face a range of varied challenges. However, some consistent themes have emerged. Regional capitals struggle to attract investment, often compete against each other for government funding, while some pay much higher insurance premiums. Many face demographic challenges such as an ageing population, low education attainment or high unemployment. A number of regional capitals have pressing infrastructure needs and struggle to work within inflexible government funding systems.

6.35 Strong regional capitals are crucial to developing and maintaining strong regions across Australia. While each regional capital has its own strengths and weaknesses, some aspects are typical. Many regional capitals are experiencing growth at a rate faster than the national average. Regional capitals act as service hubs to the wider community providing access to health care services, education opportunities, employment, and social and community infrastructure. Regional capitals also offer benefits over Australia's capital cities, such as affordable housing and the absence of congestion, while also offering access to universities, jobs and healthcare.

6.36 Developing a national strategic plan for, and definition of, regional capitals would contribute to ensuring that their significance is reflected in federal policy and funding.

Senator Glenn Sterle

Chair