

The Senate

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Rural and Regional Affairs  
and Transport  
References Committee

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Future role and contribution of regional  
capitals to Australia

Final report

November 2016

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Senator Barry O'Sullivan, Deputy Chair	Queensland, NATS
Senator Chris Back	Western Australia, LP
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Senator Alex Gallacher (from 18 April 2016)	South Australia, ALP
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Senator Peter Whish-Wilson	Tasmania, AG
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# Chapter 1

## Introduction

### Initial referral and terms of reference

1.1 On 11 February 2015, the Senate referred to the Rural and Regional Affairs and Transport References Committee (committee) the matter of the future role and contribution of regional capitals to Australia for inquiry and report by 1 December 2015.<sup>1</sup> The terms of reference determined by the Senate required the committee to inquire and report into:

The future role and contribution of regional capitals to Australia, including:

- a. an assessment of current demographic trends and the changing role of regional capitals;
- b. an analysis of current funding provided to regional capitals;
- c. an analysis of the benefit of additional funding regional capitals could receive based on population, demand for services and their strategic importance for the region, state or country;
- d. investment challenges and opportunities to maintain or grow regional capitals, including infrastructure, community and human services, communications and natural resources;
- e. incentives and policy measures that would support sustainable growth in regional capitals;
- f. the impact the changing environment will have on regional capitals; and
- g. any other related matters.<sup>2</sup>

### Conduct of the inquiry

#### *44<sup>th</sup> Parliament*

1.2 During the 44<sup>th</sup> Parliament the committee advertised the inquiry on its webpage and on Twitter. The committee also invited submissions from interested organisations and individuals. The committee received 85 submissions. A list of individuals and organisations that made submissions together with other information authorised for publication is at Appendix 1.

1.3 The committee held public hearings in:

- Geelong, Victoria;
- Launceston, Tasmania;
- Geraldton, Western Australia;

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1 *Journals of the Senate*, 2015, pp. 2141–2142.

2 *Journals of the Senate*, 2015, pp. 2141–2142.

- Townsville, Queensland; and
- Canberra, Australian Capital Territory.

1.4 A list of witnesses who appeared at the hearings is at Appendix 2. Submissions and Hansard transcripts of evidence may be accessed through the committee's website.<sup>3</sup>

1.5 Initially, the committee received numerous queries from Australian towns asking whether they were excluded from participating in the inquiry. Such queries were prompted by the absence of a definition of 'regional capital' in the terms of reference and by newspaper articles reporting that the inquiry would not consider the needs of certain regional areas. There was a strong perception that the committee was only seeking the views of towns within Regional Capitals Australia's definition of 'regional capital'.<sup>4</sup> To address these concerns, the committee added the following statement to its website:

[T]he terms of reference do not define 'regional capitals'. The committee is interested in receiving submissions not just from representatives of regional capitals, but also from other towns and cities who have relevant views to express about the current and future role of regional capitals. Any person, organisation, town or city may contribute to the inquiry through making a submission by 30 April 2015.

1.6 The committee was pleased to receive a range of submissions from smaller cities, towns and councils.<sup>5</sup>

1.7 On 12 November 2015, the Senate granted an extension of time for reporting to 12 May 2016. The committee tabled an interim report on 3 May 2016. The interim report provided a snapshot of the key issues. However, differing views of submitters were not closely examined and no recommendations were made.

### ***45<sup>th</sup> Parliament***

1.8 The reconstituted committee recommended to the Senate that the inquiry be re-referred, to ensure that the issues raised by submitters could properly be examined and reported. On 15 September 2016 the Senate agreed to re-refer the inquiry with a reporting date of 1 December 2016. The Senate also permitted the committee to consider and use the records of the Senate Rural and Regional Affairs and Transport References Committee appointed in the previous parliament.<sup>6</sup>

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3 Senate Rural and Regional Affairs and Transport Committee, *Future role and contribution of capitals to Australia*, [www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Rural\\_and\\_Regional\\_Affairs\\_and\\_Transport/Regional\\_capitals](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Rural_and_Regional_Affairs_and_Transport/Regional_capitals) (accessed 22 November 2016).

4 Regional Capitals Australia, *Submission 48*.

5 For example: National Growth Areas Alliance, *Submission 7*; Horsham Rural City Council, *Submission 9*; Temora Shire Council, *Submission 58*.

6 *Journals of the Senate*, 2016, p. 225.



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## Structure of the report

- 1.9 The report consists of five chapters:
- (a) Chapter 1 sets out administrative matters;
  - (b) Chapter 2 asks 'what is a 'regional capital?';
  - (c) Chapter 3 provides an overview of regional capitals across Australia and assesses current trends, challenges and opportunities facing regional capitals;
  - (d) Chapter 4 outlines the current funding arrangements for regional capitals, with a particular emphasis on federal funding;
  - (e) Chapter 5 examines two plans for how the economic and social infrastructure needs of regional capitals can be met; and
  - (f) Chapter 6 concludes with a discussion of policy measures to support sustainable growth in regional capitals, and provides committee recommendations.

## Other inquiries

1.10 Since the submission closing date in May 2015, a number of other inquiries have concluded and reports have been released. These include the following:

- (a) April 2016 report by the Select Committee on the Scrutiny of Government Budget Measures<sup>7</sup>
- (b) Joint Standing Committee on Northern Australia<sup>8</sup>
- (c) Australian Infrastructure Plan published by Infrastructure Australia.<sup>9</sup>

1.11 Noting the important work done by the Joint Standing Committee on Northern Australia in particular, the committee has sought to avoid duplication of that committee's work.

1.12 The Australian Government has also announced changes to federal funding arrangements for regional centres, including the Smart Cities program on

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7 The second interim report, tabled April 2016, focused on infrastructure and is discussed in Chapter 4 of this report: [http://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Scrutiny\\_of\\_Government\\_Budget\\_Measures/Budget\\_Measures/Second\\_Interim\\_Report](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Scrutiny_of_Government_Budget_Measures/Budget_Measures/Second_Interim_Report) (accessed 1 September 2016).

8 Reports tabled in June 2014, September 2014, February 2016 and April 2016. [http://www.aph.gov.au/Parliamentary\\_Business/Committees/Joint/Former\\_Committees/Northern\\_Australia/Completed\\_inquiries](http://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Former_Committees/Northern_Australia/Completed_inquiries) (accessed 1 September 2016).

9 Infrastructure Australia, *Australian Infrastructure Plan*, 2016, <http://infrastructureaustralia.gov.au/policy-publications/publications/Australian-Infrastructure-Plan.aspx> (particularly the factsheets titled 'Productive Regions' and 'Productive Cities'). See also Infrastructure Victoria Draft 30 year strategy: <http://www.infrastructurevictoria.com.au/30-year-strategy> (accessed 1 September 2016).

29 April 2016 and the Building Better Regions funding program on 20 June 2016.<sup>10</sup> This report discusses these documents and programs as appropriate.

### **Acknowledgement**

1.13 The committee thanks the large number of individuals and organisations who made submissions to this inquiry, and to witnesses who offered their time to give evidence at public hearings and provided additional information. The committee is particularly grateful for those witnesses who travelled significant distances to appear before the committee.

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10 Australian Government, *Smart Cities Plan*, <https://cities.dpmc.gov.au/smart-cities-plan> (accessed 3 October 2016); Senator the Hon. Fiona Nash, Minister for Regional Development, Regional Communications, and Rural Health, *Media Release*, 20 June 2016, <http://nationals.org.au/coalition-building-better-regions/> (accessed 5 September 2016).

## Chapter 2

### Regional capitals and regional centres in Australia

2.1 What is a regional capital? The committee received a range of answers to this question. The chapter considers the various definitions and characteristics used to identify regional capitals.

2.2 The term 'regional capitals' has its origins in the establishment of the advocacy organisation called Regional Capitals Australia (RCA). The group describes itself as 'an alliance of local government associations binding together to build a nation of strong, sustainable and well-planned regional capitals and connected communities'.<sup>1</sup> The mission of the organisation is to 'champion the continued growth and sustainable development of regional capitals around the nation'.<sup>2</sup> This includes advocating for federal funding to invest in the services and infrastructure in regional capitals. RCA has 28 members currently and has identified a further 23 regional centres that are eligible for membership.<sup>3</sup> RCA describes regional capitals by function and provided the following definition:

Regional capitals serve as hubs for larger regional areas. They provide their own communities and those in smaller surrounding communities access to education, jobs, personal and professional services, recreation and opportunities for cultural participation along with a host of other amenities that are essential to support strong and vibrant communities across entire regions.<sup>4</sup>

2.1 A number of other witnesses and submitters offered a description of regional capitals focussing on the function of the city, with many using hub and spoke analogies. Mr Charles Jenkinson, Executive Officer, Regional Development Australia – South West explained the key role that regional capitals perform in their communities:

Regional development works like a hub-and-spoke system. Basically, if you have strong regional centres, you have strong regions...I think it is

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1 Regional Capitals Australia, *About us*, <http://www.regionalcapitalsaustralia.org/index.php/about-us/mission> (accessed 11 November 2016).

2 Regional Capitals Australia, *About us*, <http://www.regionalcapitalsaustralia.org/index.php/about-us/mission> (accessed 11 November 2016).

3 See Appendix 3. RCA's list of current members is available here: <http://www.regionalcapitalsaustralia.org/index.php/about-us/members> and eligible members are available here: <http://www.regionalcapitalsaustralia.org/images/RCA%20Eigible%20Members%20-%20as%20of%20September%202015.pdf> (accessed 22 April 2016).

4 Regional Capitals Australia, *Submission 48*, p. 4.

important to worry less about how many people there are in that centre and more about how strategically important it is to the area it serves.<sup>5</sup>

2.2 From this perspective the function of the city is more important than the size of the city. For example, coastal Broome has a population of 15 000 people. In contrast, inland Bendigo has over 100 000 residents. Yet, according to RCA, both these cities are regional capitals because of the 'role they play in the wider region'.<sup>6</sup>

2.3 This is particularly the case in Western Australia (WA). For example, any regional centre with a population of 30 000 is considered significant in WA. However, regional capitals in the eastern states tend to have populations of around 60 000 to 100 000.<sup>7</sup> The WA Local Government Association defined a regional capital as a local government area with a population of more than 10 000, not located in or close to Perth, with strong economic and population growth prospects.<sup>8</sup>

2.4 In addition to providing services and facilities that are often not available in smaller towns, regional capitals also provide a reference point on a map. Tamworth Regional Council gave the following example:

When you talk about centres within regions, you will always reference the Major centres, —I come from., I work at the mines in....people may go where?, they then say —do you know Tamworth? it's not far from there. his simple statement which is used across the Australian population and world, gives the value to Regional Capitals, as a reference point on a map, but also as a reference point for the provision of services and facilities that may not be available in our smaller population centres.<sup>9</sup>

2.5 Other witnesses agreed that size should not be a determinant of what is a regional capital, rather it is the relationships that the city has with neighbouring towns. For example, Dr Leonie Pearson, Regional Australia Institute, observed that the size of a regional capital is not a determinant of productivity.<sup>10</sup> Nevertheless, the Regional Australia Institute did acknowledge that population size is important, and that 'once you get to the 50 000 mark you start to have a real city development type pathway'.<sup>11</sup>

2.6 Regional centres that have an influx of visitors either due to tourism or fly-in-fly-out workers reported that this temporary population should be taken into

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5 Mr Charles Jenkinson, Executive Officer, Regional Development Australia – South West, *Committee Hansard*, 28 October 2015, p. 10.

6 Regional Capitals Australia, *Submission 48*, p. 8.

7 Mr Ian William Carpenter, Board Member, Regional Capitals Australia, *Committee Hansard*, 28 October 2015, p. 33. See also Councillor Shane Van Styn, Board Member, Western Australia Regional Capitals Alliance, *Committee Hansard*, 28 October 2015, p. 35.

8 Western Australia Local Government Association, *Submission 46*, p. 7.

9 Tamworth Regional Council, *Submission 60*, p. 13.

10 Dr Leonie Pearson, Leader of Major Research Projects, Regional Australia Institute, *Committee Hansard*, 4 March 2016, p. 3.

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

account when assessing whether a town or city is a regional capital. A transient population also presents unique challenges as higher maintenance and infrastructure costs must be paid for from a low rate base.

2.7 As a case in point, Byron Shire has a population of just over 30 000 yet it experiences 1.5 million visitors each year.<sup>12</sup> It is not included on RCA's list of regional capitals. While tourists bring economic benefits to the Byron Shire, they don't contribute to the maintenance of infrastructure through rates. The shire council's submission illustrates some difficulties that arise from having key social services based in Lismore – the regional capital – and not Byron Shire itself.

2.8 During the peak tourist period in Broome, tourist numbers are equivalent to 52 per cent of the town's permanent population. However, this is not taken into account when funding for infrastructure and other services in the regional centre is determined.<sup>13</sup>

### ***Classifications used by the Australian Bureau of Statistics***

2.9 The Australian Bureau of Statistics (ABS) described RCA's definition as a 'useful descriptor' yet noted that consistent criteria should be used to define the geographic boundaries.<sup>14</sup> The ABS has a number of classification tools that may be helpful in defining regional centres and capitals.

2.10 The ABS geographic classification Significant Urban Areas (SUA) is applied to concentrations of urban development with a population of 10 000 or more that contain at least one urban centre located in the same labour market. This classification captures regional centres that cross state boundaries. For example, as the towns of Mildura (VIC) and Wentworth (NSW) share a labour market, access to services, flow of people and geographic proximity, they could be considered a 'single regional centre'.<sup>15</sup>

2.11 The ABS also measures regional remoteness. This is a way of measuring access to services based on population proximity, by road, to towns and cities. The ABS contrasts the role of a regional centre geographically close to a capital city, such as Newcastle or Geelong, with regional centres that are some distance from the services offered by capital cities, such as Broken Hill, Mt Isa and Mildura. A person living in a remote regional centre will be much more reliant on that centre, due to their distance from other large cities.<sup>16</sup>

2.12 Population density can also be used to define regional centres, as generally services will be concentrated in locations with denser population.<sup>17</sup> The ABS monitors

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12 Byron Shire Council, *Submission 43*, p. 2.

13 Western Australia Regional Capitals Alliance, *Submission 29*, p. 8.

14 Australian Bureau of Statistics, *Submission 5*, p. 2.

15 Australian Bureau of Statistics, *Submission 5*, p. 2.

16 Australian Bureau of Statistics, *Submission 5*, p. 2.

17 Australian Bureau of Statistics, *Submission 5*, p. 3.

internal migration across Australia and has developed methods to analyse (and predict) population fluctuations.<sup>18</sup>

2.13 The ABS emphasised the importance of a consistent and sound evidence base upon which to define regional capitals and centres, acknowledging that a range of different factors may be considered, including: population, natural resources, economic activity and proximity as well as relationship with other regions.<sup>19</sup>

2.14 The Grattan Institute noted that the remoteness measure used by the ABS has both advantages and disadvantages. The advantage is that it provides a 'single objective measure for dividing Australian regions'.<sup>20</sup> However, the measure can combine regions that have little in common. For example:

- 'inner regional' cities includes regional satellite cities near capitals; and
- most coastal and inland cities are classified as 'outer regional' as they are further from a major city, yet this classification covers both fast growing coastal cities and slow growing inland cities.<sup>21</sup>

2.15 Professor Paul Burton, Director of the Urban Research Program at Griffith University and member of Regional Development Australia, described the categorisation of urban areas and settlements in Australia as 'somewhat confusing'.<sup>22</sup> In his submission, Professor Burton listed the different types of classification:

The Australian Bureau of Statistics has a classificatory system that includes Urban Centres and Localities (areas with up to 200 people), through Significant Urban Areas with populations of more than 10,000 people to the eight Greater Capital City Statistical Areas. The various State of Australian Cities reports focus on the 20 major cities, which are defined as the largest in the country, although there is of course a considerable range from Sydney to Albury-Wodonga.<sup>23</sup>

2.16 During the hearing in Canberra the ABS suggested that it was not best placed to provide a definition of regional capital, as this was a policy decision.<sup>24</sup> However, the ABS did provide further information about data sources that could be used to arrive at a definition:

There are a wide range of data sets that may be used to describe regional differences, covering population, economic and environmental characteristics. Such data sets exist within the ABS as well as with other agencies and data providers. In order to make objective and consistent

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18 Australian Bureau of Statistics, *Submission 5*, p. 4.

19 Australian Bureau of Statistics, *Submission 5*, p. 5.

20 Grattan Institute, *Submission 2*, Attachment 1, p. 17.

21 Grattan Institute, *Submission 2*, Attachment 1, p. 17.

22 Professor Paul Burton, *Submission 84*, p. 1.

23 Professor Paul Burton, *Submission 84*, p. 1.

24 Dr Paul Jelfs, Australian Bureau of Statistics, *Committee Hansard*, 4 March 2016, p. 43.

comparisons it is recommended that nationally consistent data sets are used. There are a number of portals where regional data sets could be found, including the Australian Government's National Map interface which provides a very good range of environmental and land based data, as well as some selected ABS population data. The regional data sets that can be sourced from the ABS are described in summary through the ABS Data By Region interface, which can be found on the ABS web site home page.<sup>25</sup>

### ***Classifications used by the Department of Infrastructure and Regional Development***

2.17 The Australian government uses a range of classifications for the purpose of making assessments under individual policies and programs. The Department of Infrastructure and Regional Development (the department) provided the following example:

[W]hen reporting funding arrangements and grants programmes, the Department will generally report based on Local Government Areas, since Australian Government funding for small-scale, local projects is principally directed to local governments. In terms of the Department's research findings, the statistical areas used by the Australian Bureau of Statistics (ABS) are used, as this is the basis on which data is collected and analysed.<sup>26</sup>

2.18 Generally, the department refers to 'regional centres' rather than 'regional capitals'. This term does not distinguish between types different regional centres and recognises that all centres 'have important, though varying, roles to play in their broader regions' and takes into account the functions performed.<sup>27</sup> The department describes regional centres in the following way:

A regional centre fulfils important functions as a service access centre and transport node for the towns and communities in the surrounding region. Our conceptualisation of a regional centre is a functional and dynamic one, which takes into account the diversity of their locations, populations, infrastructure and economies, as well as their context in the wider region.

Given this conceptualisation, regional centres can have extremely diverse characteristics. For example, some regional centres such as Geelong are located in close proximity to capital cities, with high populations and well diversified economies providing access to higher order goods and services to a relatively dense network of surrounding towns. In comparison, other regional centres such as Port Hedland are situated in remote regions, with low populations and relatively less diverse service provision to a sparsely populated region...<sup>28</sup>

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25 Australian Bureau of Statistics, answers to questions taken on notice, 4 March 2016 (received 24 March 2016).

26 Department of Infrastructure and Regional Development, *Submission 76*, p. 1.

27 Department of Infrastructure and Regional Development, *Submission 76*, p. 1.

28 Department of Infrastructure and Regional Development, *Submission 76*, p. 2.

2.19 The department uses three methods to classify regions, and each is useful according to the particular purpose: administrative, statistical and functional.<sup>29</sup>

#### *Administrative regions*

2.20 Administrative regions are geographic areas connected to government functions and powers. Two examples include local government areas and service provider regions. Local government areas are defined geographic areas that fall within the responsibility of a local government council or indigenous government council. Service provider regions are also defined geographic areas within which particular services are delivered (for example Medicare Local delivery areas).<sup>30</sup>

#### *Statistical regions*

2.21 Statistical regions are geographic areas used for collecting statistical data. Classifications of this kind include Significant Urban Area and Remoteness Classes.<sup>31</sup> Australia is divided into five remoteness classes, ranging from 'Major Cities' to 'Very Remote'. These classes cover a region rather than particular population centres and so are different to regional centres. The department notes that 'they are still a useful data source for analysing differences across regions'.<sup>32</sup>

#### *Functional regions*

2.22 Functional regions consist of social and economic relationships rather than defined geographic areas. The functional region classification is useful when considering labour markets, for example, which often include both a regional centre and surrounding hinterland.<sup>33</sup>

2.23 The department submitted that the term 'regional capital' is used by major regional centres which have 'self-identified' as such to 'build a particular commercial identity to attract government funding and private investment'. The department raised concerns about RCA's decision to name large regional centres as 'capitals'. The department submitted that there was no objective criteria for using the term, and the 'point at which a regional centre becomes a regional capital is unclear'.<sup>34</sup>

2.24 The committee acknowledges the department's concern. While there are many regional centres that would indubitably fit the definition of regional capital, there will always be some regional centres which do not meet the definition. If certain types of funding are dependent on 'regional capital' status – as RCA argues should be the case – then it is crucial that a fair, useful and objective definition is developed.

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29 Department of Infrastructure and Regional Development, *Submission 76*, p. 3.

30 Department of Infrastructure and Regional Development, *Submission 76*, p. 3.

31 Australian Bureau of Statistics, *Submission 5*.

32 Department of Infrastructure and Regional Development, *Submission 76*, p. 3.

33 Department of Infrastructure and Regional Development, *Submission 76*, p. 3.

34 Department of Infrastructure and Regional Development, *Submission 76*, p. 1.



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### ***Infrastructure Australia: fast growing regional hubs***

2.25 Infrastructure Australia (IA) identified three features commonly shared among fast growing regional hubs. These hubs:

- are increasingly the economic and service centres for their regions;
- have transport links to major capitals giving them access to a large base of suppliers and customers; and
- will continue to grow rapidly provided they have better infrastructure and access to skilled workforces.<sup>35</sup>

2.26 IA's description of fast growing regional hubs would cover *some* regional capitals, but not those who have stagnant growth. IA called for governments, business and the community to develop long-term strategic infrastructure plans for fast growing regions and for funding to be coordinated across all three levels of government.<sup>36</sup>

### ***Second cities***

2.27 The committee received evidence that some large regional capitals with good transport links to capital cities might be better characterised as 'second cities' and that government funding should be particularly targeted at supporting growth in these cities. The cities of Geelong, the Sunshine Coast, the Gold Coast, Newcastle and Wollongong were often cited as examples of Australia's future second cities.<sup>37</sup> The term second cities was often used in evidence as a descriptor but also as a basis for advocating special funding.

2.28 The Committee for Geelong called for a second cities policy and recognition of Geelong as a second city.<sup>38</sup> While the City of Greater Geelong described it as 'Victoria's second city'.<sup>39</sup> The Committee for Geelong provided the following definition of a second city:

A port city of between 150,000 to 300,000 in population that is a major industrial or single-industry-dominated centre. It also provides a major regional service centre role aided by the physical distance from its respective capital city. Usually located outside, but close to, a capital city and increasingly provides the driving force for development in its region. It has good infrastructure, a high economic importance and hosts a University.

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35 Infrastructure Australia, *Australian Infrastructure Plan*, February 2016, p. 60.

36 Infrastructure Australia, *Australian Infrastructure Plan*, February 2016, p. 61.

37 For example, Mr Darren Cleland, Acting Director-General, Queensland Department of State Development, *Committee Hansard*, 16 February 2016, p. 4 (The Queensland government program Building our Regions excludes South East Queensland, including the Gold Coast and the Sunshine Coast from the regions that are eligible for funding under that program due to their city status).

38 See, for example, Mr Dan Simmonds, Chairperson, Committee for Geelong, *Committee Hansard*, 21 August 2015, p. 14.

39 City of Greater Geelong, *Submission 30*, p. 1.

Size: 150,000 – 300,000 people

Location: 1-2 hr drive from a capital city

Infrastructure: Good Infrastructure provision

Economic: Transformative, national/regional importance

Culture: Magnet to innovative class

Education: Hosts a University

Health: Main Health centres, sound health infrastructure.<sup>40</sup>

2.29 The Committee for Geelong criticised the federal and state governments for referring to 'regional cities' in policy documents. It was argued that this term also covers 'mid-sized regional cities and towns and fails to reflect the importance of second cities as significant centres for urban growth and contemporary sustainable living'.<sup>41</sup> However, Professor Jan den Hollander, Vice-Chancellor, Deakin University cautioned that there may be some difficulties in defining what a second city is.<sup>42</sup> Likewise, Professor Paul Burton considered that a second city designation might be most useful in providing a facility for similar cities to work together, although there would also be a degree of competition for finite government funds.<sup>43</sup>

2.30 The committee did not form a view on whether some large regional centres should be designated as second cities. However, it is clear that the challenges and opportunities experienced by large regional centres such as Geelong, Wollongong, Newcastle and the Gold Coast differ somewhat from many other regional centres.

## Conclusion

2.31 RCA's functional definition of 'regional capital' – that a regional capital is a regional city that performs a capital city role for its residents and neighbouring communities – is a useful definition which was supported by many witnesses and submitters.<sup>44</sup> However, the critique provided by the ABS and the department has merit and demonstrates the importance of a precise definition, particularly if the term is used to determine funding eligibility. Drawing on the RCA's definition, this report uses the term 'regional capitals'.

2.32 Despite the resistance by government agencies to use the term 'regional capital', it is clear from the evidence supplied to the committee that each regional capital performs an important functional role in its local community, state and within Australia. The next chapter considers key attributes of regional capitals.

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40 Committee for Geelong, *Submission 17*, p. 4.

41 Committee for Geelong, *Submission 17*, pp. 4-5.

42 Professor Jan den Hollander, Vice-Chancellor, Deakin University, *Committee Hansard*, 21 August 2015, p. 24.

43 Professor Paul Burton, *Committee Hansard*, 16 February 2016, p. 40.

44 See, for example, Toowoomba Regional Council, *Submission 47*, p. 2; Regional Development Australia-Riverina NSW, *Submission 63*, p. 1. For an alternate view, see Local Government Association South Australia, *Submission 50*, p. 4.

# Chapter 3

## Australia's regional centres

### Introduction

3.1 This chapter provides a snapshot of regional capitals across Australia in terms of assessing demographic trends, challenges and opportunities, while exploring the impact of a changing environment on regional capitals. Consideration is also given to the strategic importance of regional capitals to their local communities and Australia more generally.

### Development of regional capitals in Australia

#### *Trends in regional centres*

3.2 Population in Australia has increased in cities and regional centres and declined in small rural inland towns.<sup>1</sup> Four key trends occurred between 1911 and 2006 in Australia:

- the settlement of Northern Australia;
- the growth of coastal towns and cities;
- the emergence of larger centres; and
- the disappearance of many smaller towns.<sup>2</sup>

3.3 The graph overleaf illustrates these trends, described by the Department of Infrastructure and Regional Development (the department) in the following terms:

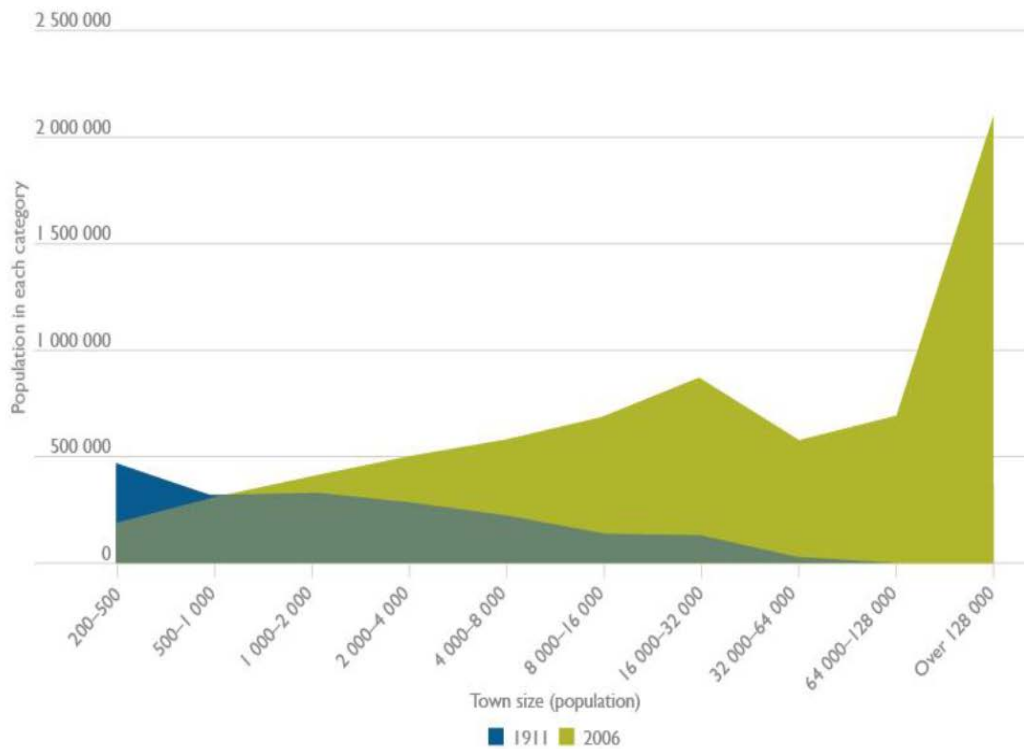
The blue area, which represents the size and distribution of the 1911 regional population, shows that at the beginning of the century the Australian population living outside the capital cities was spread among a large number of relatively small towns. In 1911, some 40 percent of this regional population lived in towns of between 200 and 1000 people. The green area, which represents the size and distribution of the 2006 population living outside the major capital cities, shows the reversal of this pattern, with a clear shift in the regional population to larger centres.<sup>3</sup>

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1 See generally: Department of Infrastructure and Regional Development, *The evolution of Australian towns*, May 2014, [https://bitre.gov.au/publications/2014/report\\_136.aspx](https://bitre.gov.au/publications/2014/report_136.aspx) (accessed 22 November 2017).

2 Department of Infrastructure and Regional Development, *Submission 76*, p. 5.

3 Department of Infrastructure and Regional Development, *Submission 76*, p. 4.



Note: Data does not include the mainland state capitals (Sydney, Melbourne, Brisbane, Adelaide and Perth).  
 Source: BITRE (2014).

3.4 The growth of regional capitals can be attributed to a range of factors, including reduction in the cost of communications and transport and new technologies in agriculture.<sup>4</sup> Rather than an urbanisation trend of people movement to capital cities, since the 1970s, Australians have been moving to regional cities and towns. The Regional Australia Institute explained that as a consequence of this trend:

There are now 4½ million people living in regional cities around Australia, which is a population of the same size as Sydney and Melbourne. If you include a broader suite of small places, which this inquiry does, then you go beyond that up towards five million people.<sup>5</sup>

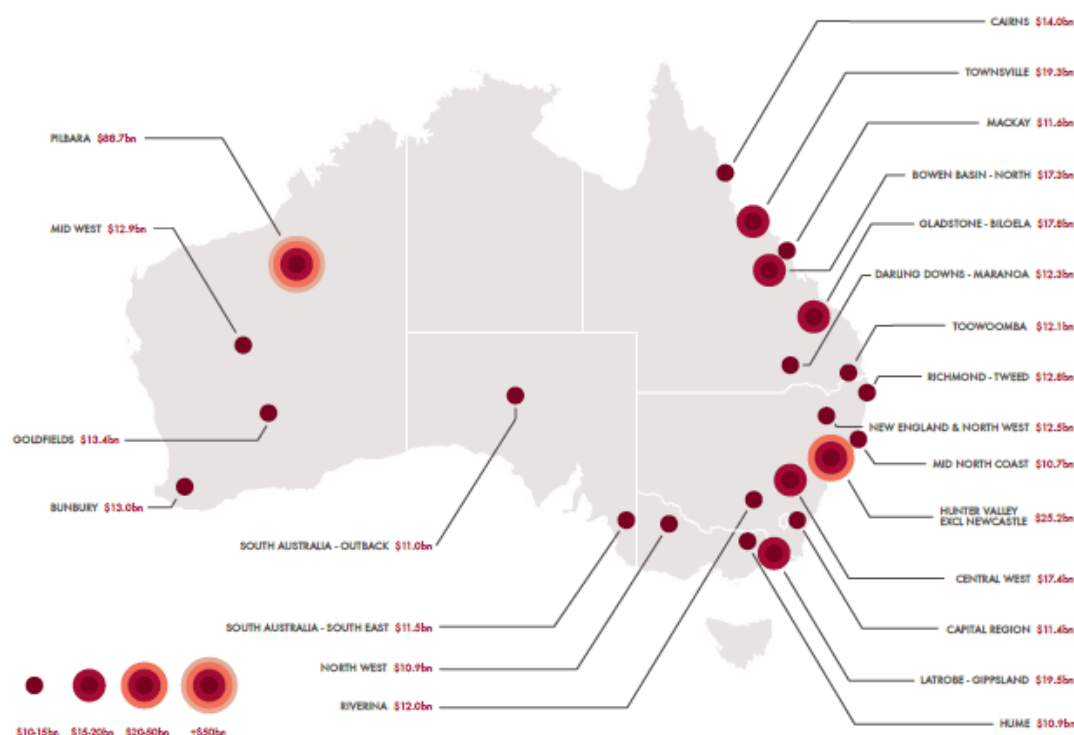
4 Regional Capitals Australia, *Submission 48*, p. 9.

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

3.5 Yet despite this reality, most urban policy discussions focus on capital cities. A large number of submitters to the inquiry called for a change in focus, away from capital cities and towards regional cities.<sup>6</sup> Mr Jack Archer, Chief Executive Officer, Regional Australia Institute, stated that government policy should 'shy away from big grand national sweeps' and instead seek to 'understand the development pathways for different places and support those and support locals to pursue them'.<sup>7</sup>

### Strategic importance of regional capitals

3.6 Regional capitals perform an important strategic function in their local communities. RCA reports that regional capitals contribute 15 per cent of Australia's Gross Regional Product and hold a labour force of more than 2 million people. Further, 40 per cent of Australia's exports are produced in regional Australia, and much of this output passes through regional capitals.<sup>8</sup> Infrastructure Australia projected gross regional product for major regional centres in 2031, as illustrated below.<sup>9</sup> In some regions such as the Pilbara and Gladstone the private sector has funded the bulk of the infrastructure. However in most regions government investment in economic infrastructure is required.



Source: Australian Infrastructure Audit 2015

6 See, for example, Regional Australia Institute, *Submission 69*; Regional Capitals Australia, *Submission 48*; Planning Institute Australia, *Submission 59*.

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

8 Regional Capitals Australia, *Submission 48*, p. 10.

9 Infrastructure Australia, *Australian Infrastructure Plan*, February 2016, p. 61, Figure 4.1.

3.7 Regional capitals also offer a number of non-economic benefits. RCA submits that these benefits include:

- a good alternative to congested and sprawling urban capital cities;
- a substantial base infrastructure that can be developed, as required;
- faster freight access to south east Asian countries (in northern Australia, compared to east coast capital cities);
- affordable house prices at 20-30 per cent lower than state capital land prices;
- land available for business and residential development;
- a model for efficient and sustainable growth; and
- diversification of the national economy.<sup>10</sup>

3.8 These claims were substantiated by a number of other submitters to the inquiry, many of which work to promote the benefits of living in the regions to residents of capital cities.<sup>11</sup>

3.9 A primary case in point was that of Evocities. Evocities is a successful regional marketing campaign that was established to attract new residents to inland NSW. Seven councils are members of the campaign: Albury, Armidale, Bathurst, Dubbo, Orange, Tamworth and Wagga Wagga. A key tool is the Evocities website, alongside a job search website and investment website for small businesses.<sup>12</sup> Evocities reports that 2300 families from Sydney have relocated to its regional capitals since the campaign commenced.<sup>13</sup> Evocities is funded by mixed sources, including \$2.4 million from councils, \$230,000 from the NSW state government, \$1.7 million from the federal government and corporate sponsorship of \$360,000. Government funding ceased in 2011-2012 and now the member councils provide most of the funds.<sup>14</sup>

### **Challenges facing regional capitals**

3.10 Despite the many advantages of regional capitals, each has its own challenges. ABS research indicated that of the 55 Regional Development Australia Committee regions surveyed, all identified at least one threat to their economy. For the majority, reliance on a small number of concentrated industries was the greatest concern. Under such circumstances, and without diversification, the prospect of industry failure or

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10 Regional Capitals Australia, *Submission 48*, p. 9.

11 See, for example: Cairns Regional Council, *Submission 44*; Mackay Regional Council, *Submission 55*; Wagga Wagga City Council, *Submission 57*; Albury City Council and City of Wodonga, *Submission 65*; Tasmanian Government, *Submission 74*; Councillor Mathew Dickerson, Chairman, Evocities, *Committee Hansard*, 4 March 2016, pp. 27–38.

12 Evocities, *Submission 56*, p. 3.

13 Evocities, *Submission 56*, p. 4.

14 Evocities, *Submission 56*, p. 5.

even downsizing would have serious repercussions on local communities.<sup>15</sup> This section considers a range of challenges facing regional capitals across Australia.

### *Ageing population*

3.11 Some regional capitals, particularly those on the coast, have ageing populations. RCA reported that 70 per cent of regional capitals have a senior dependency ratio of 21.2 per cent. Indeed, for some regional capitals this rate is higher than 30 per cent. This means that for every 10 people of working age (15 to 64 years), another three are over 65 years of age. However, as the examples below illustrate, it is not just coastal regional centres that are experiencing this trend.<sup>16</sup>

#### Population ageing: senior dependency ratios

Seniors (65+ years) as a per cent of the working age (15-64 years) population: 2012	Per cent
Port Macquarie-Hastings	43.7
Shoalhaven	39.9
Fraser Coast	37.1
Ballina	36.0
Bundaberg	33.1
Wangaratta	31.7
Gosford	31.2
Wyong	31.1
Devonport	31.0
Coffs Harbour	29.2
Horsham	28.7
Albany	28.4
Tamworth Regional	27.3
Greater Geelong	26.4
Mildura	26.1
Port Lincoln	25.6
Warrnambool	25.4
Wollongong	25.1
Mount Gambier	24.8
Greater Bendigo	24.7
Toowoomba	24.6
Latrobe	24.5
Launceston	24.2
Albury	23.8
Greater Shepparton	23.5
Ballarat	23.3
Bunbury	22.7
Newcastle	22.6
Lismore	22.5
Orange	22.5
Dubbo	22.4
Cessnock	21.9
Bathurst Regional	21.8
Rockhampton	21.5
<b>Australia</b>	<b>21.2</b>

Figure 6 Source: Regional Australia Institute, *Insight Database 2014*

3.12 Byron Shire Council reported two key trends in its population. First, a growing aged population and second, a significant out-migration of persons in the 19–35 years age group as young people seek jobs and higher education opportunities elsewhere. This trend is particularly apparent in the smaller towns in the Byron Shire such as Mullumbimby. At the same time, the largest population growth is occurring in

15 Australian Bureau of Statistics, *Submission 5*, p. 5.

16 Regional Capitals Australia, *Submission 48*, p. 14.

those over 59 years of age.<sup>17</sup> The City of Launceston reported similar trends.<sup>18</sup> The WA Local Government Association reported that Broome, Busselton, Esperance, Karratha and Northam have each experienced population growth amongst those over 65 years of age that exceeds the state average.<sup>19</sup>

3.13 An ageing population presents a number of challenges for regional centres, including lower productivity, increased health costs, and less return on land rates.<sup>20</sup> For example, as the cohort aged over 65 increases, the number of people who can claim a rate reduction under the *Local Government Act 1993* (NSW) will increase, and in turn reduce the revenue of NSW local governments.<sup>21</sup>

3.14 Aging populations, combined with a low skilled youth cohort, can also create skill shortages. Mr Mike Brindley, Regional Development Australia Tasmania identified the dairy industry in Tasmania as an example where there is:

...a profound lack of suitably qualified or job-ready young people wanting to enter into the industry. I notice a lot of people have been sourced from the mainland and from overseas to help in the dairy industry expansion. That has been one area where it has been critical to seek young people to work on farms, as we have an older generation exiting that industry. The main thing we are hearing is job-readiness, reliability and punctuality, and a willingness to work long hours is quite a significant inhibitor.<sup>22</sup>

3.15 Yet not all regional centres are experiencing an ageing population. For example, Wagga Wagga attributes its larger percentage of persons aged 20-24 compared to the national average to its facilities (including universities and two defence bases).<sup>23</sup>

### ***Higher unemployment rates***

3.16 A number of regional capitals reported higher unemployment rates than capitals cities, particularly youth unemployment.<sup>24</sup> The Hunter region, NSW, reported a high level of youth unemployment in particular.<sup>25</sup> Northern Tasmania's

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17 Byron Shire Council, *Submission 43*, p. 1

18 City of Launceston, *Submission 80*, p. 8.

19 Western Australia Local Government Alliance, *Submission 46*, p. 10.

20 Regional Capitals Australia, *Submission 48*, p. 15. Byron Shire Council, *Submission 43*, p. 1; City of Busselton, *Submission 32*, p. 2.

21 Just over half the amount of lost revenue is refunded to the Council by the NSW Government and this reimbursement used to be funded by the federal government: Byron Shire Council, *Submission 43*, p. 1.

22 *Committee Hansard*, 25 September 2015, p. 9.

23 Wagga Wagga City Council, *Submission 57*, p. 5.

24 Regional Capitals Australia, *Submission 48*, p. 4; City of Launceston, *Submission 80*, p. 8.

25 Regional Development Australia: Hunter, *Submission 39*, p. 2.



unemployment rate is 8.2 per cent, higher than both the Tasmanian rate of 6.6 per cent and the Australian rate of 6.3 per cent.<sup>26</sup>

3.17 Higher rates of unemployment are not the experience of all regional centres. For example, the City of Karratha had an unemployment rate of only 2.2 per cent in the 2011 Census.<sup>27</sup> Wagga Wagga had a relatively low unemployment rate of 4.9 per cent in September 2011.<sup>28</sup> Other regional centres, such as Lismore, reported a higher than average unemployment rate that has been progressively falling in the past decade.<sup>29</sup>

### ***Lower productivity compared to the national average***

3.18 RCA describes productivity as a measure of:

...how efficiently people combine resources to produce goods and services. Productivity can be measured as goods and services produced per hour worked, per worker employed or per combination of labour inputs and capital inputs (this is known as multifactor productivity).<sup>30</sup>

3.19 Regional capitals generally have lower productivity rates compared to the national average. Productivity was less than the Australian average for 33 of 50 regional capitals (and for a third of these, productivity fell during a three year period).<sup>31</sup> Nevertheless, some regional capitals reported high productivity. The City of Karratha produces the sixth largest economic output of all Australian municipalities and worker productivity is greater than 6 times the national figure.<sup>32</sup>

3.20 RCA referred the committee to drivers of population, participation and productivity that would increase the strategic importance of regional capitals and increase national output:

1. Effective cross-sectorial and intergovernmental partnerships and integrated regional planning
2. Human capital, particularly education and skills
3. Economic, environmental and socially sustainable communities and population growth
4. Access to international, national and regional markets

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26 Northern Tasmania Development, *Submission 40*, Attachment 1, p. 3.

27 City of Karratha, *Submission 22*, p. 4.

28 Wagga Wagga City Council, *Submission 57*, p. 5.

29 Lismore City Council, *Submission 24*, pp. 7–8.

30 Regional Capitals Australia, *Submission 48*, p. 17.

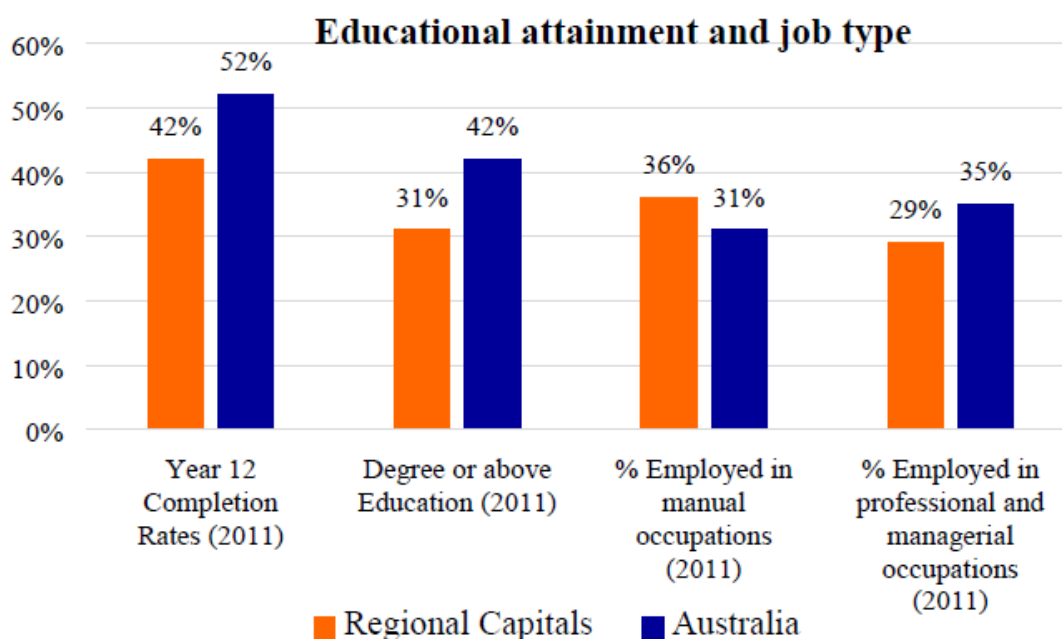
31 Regional Capitals Australia, *Submission 48*, p. 17. RCA defines productivity as Gross Regional Product per a worker employed.

32 City of Karratha, *Submission 22*, p. 2, 4–5.

## 5. Comparative advantage and business competitiveness.<sup>33</sup>

### ***High school graduation and tertiary entrance rates***

3.21 Regional capitals tend to have lower year 12 completion rates and their tertiary entrance rates are lower than the national average.<sup>34</sup> RCA provided the following graph to illustrate the difference between educational attainment and job type in regional capitals and across Australia.<sup>35</sup>



*Figure 9 Source: Essential Economics 2014 RCA Issues and Positioning Paper (based on ABS data)*

3.22 The City of Greater Shepparton reported high youth unemployment and only 32.9 per cent of residents completing year 12, while only 10 per cent continued to higher education.<sup>36</sup> The city attributed these rates to lack of aspiration, poor public transport and limited education options. Albury Wodonga Councils reported a lower level of year 12 attainment than the national average. As a consequence many of its residents 'lack basic employability skills, even for lower skilled vacancies and entry level positions such as apprenticeships and traineeships'.<sup>37</sup>

3.23 Low educational attainment can impact the labour participation rate and hamper the ability of regional capitals to attract highly skilled workers. The Regional Universities Network noted that these low rates of education attainment in regional

33 Department of Regional Australia, Local Government, Arts and Sport, *Regional Economic Development Guide*, 2013 cited in Regional Capitals Australia, *Submission 48*, p. 18.

34 Regional Capitals Australia, *Submission 48*, p. 17.

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

36 Greater Shepparton City Council, *Submission 8*, p. 2.

37 Albury Wodonga, *Submission 65*, p. 14.

areas are particularly problematic as most employment growth in Australia occurs in highly skilled jobs. For these reasons, education participation rates must increase to 'address a long standing equity issue, meet the needs of the future workforce, and enable regional industries to diversify and grow'.<sup>38</sup>

### ***Social infrastructure and support***

3.24 Some regional capitals, and the towns surrounding them, accommodate some of the most entrenched disadvantaged communities in Australia.<sup>39</sup> The well regarded *Dropping off the Edge* report documented persistent communal disadvantage in Australia, much of which exists outside of Australia's capital cities.<sup>40</sup> Ms Elizabeth de Chastel, Catholic Social Services Australia (CSSA), told the committee during the Canberra hearing that:

Long-term unemployment is a common factor in these disadvantaged communities as well as associated indicators such as criminal convictions, poor access to internet, domestic violence and lack of qualifications. The research findings also show that the indicators of disadvantage were different in each community as well.<sup>41</sup>

3.25 Wagga Wagga reported relatively high levels of social disadvantage and high levels of welfare dependency.<sup>42</sup> A range of initiatives are required to address the needs of these populations, including ensuring a mix of social housing throughout the community, support for youth focused activities and ensuring that funding programs are coordinated.<sup>43</sup>

3.26 CSSA asked people in local communities for feedback on government funding. Recurrent themes in the feedback included a perception that funding often was not targeted to meet the needs of the local community, services were often poorly coordinated, there was competition between service providers for funding, and often no long term strategy for supporting the community.<sup>44</sup>

3.27 Sister Mary Ryan, Director of Centacare Family Services, reminded the committee that economic development of regional capitals like Geraldton is not always accompanied by social benefits for the community. She suggested that 'the

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38 Regional Universities Network, *Submission 11*, p. 4.

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

40 Tony Vinson and Margot Rawsthorne, *Dropping off the Edge*, Jesuit Social Services and Catholic Social Services Australia, 2015.

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

42 Wagga Wagga Council, *Submission 57*, p. 6.

43 Wagga Wagga Council, *Submission 57*, p. 14.

44 Ms Elizabeth de Chastel, Director, Social Policy, Catholic Social Services Australia, *Committee Hansard*, 4 March 2016, p. 11. See also Sister Mary Ryan, Director, Centacare Family Services, Geraldton, *Committee Hansard*, 28 October 2015, p. 56.

ordinary person in the street – not just Aboriginal people – has not gained anything at all' from the rise in prosperity in the city of Geraldton.<sup>45</sup>

### ***Higher costs associated with dealing with extreme weather events***

3.28 Costs associated with dealing with the impact of drought and other extreme weather events are often higher in regional capitals.<sup>46</sup> Charles Sturt University (CSU) submitted that 'Australia's changing environment has had, and will continue to have a major impact and effect on regional capitals'.<sup>47</sup> Given its role as a leading university in agricultural research, the CSU has been closely involved in addressing the 'devastating effects of prolonged drought, as well as subsequent flooding and other associated natural catastrophes'.<sup>48</sup> CSU described the impact in the following terms:

These events continue to cause substantial economic pain, and community suffering across regional capitals in Australia, where previous fertile and productive land increasingly yields fewer and less predictable crop cycles, and is unable to sustain levels of livestock previously relied upon to support families and communities. Similarly, the changing timing of climatic temperatures and seasons has had a major impact on crop cycles, not only with traditional agricultural crops, but also in the production of grapes for wine, and other important growth sectors for regional economies. Moreover, such changes to water availability also pose a significant threat to the viability of growing regional capitals, and require investment in significant infrastructure.<sup>49</sup>

3.29 For these reasons, CSU called for continuing investment in environmental research to address these challenges and to 'develop solutions that secure the future of Australia's regional capitals and industries'.<sup>50</sup>

3.30 Many regional centres have incorporated climate change to their region's strategic plans. For example, the City of Ballarat observed that 'climate change is likely to impact on the Ballarat community over the coming decade'. The impacts include:

...expected changes in the intensity and frequency of extreme weather events, changes to the water cycle affecting agriculture and other key industries, and concerns about the ongoing threat of natural disasters such as bushfires and floods. In terms of a growing population, the impact of such changes can have increasingly significant impacts.<sup>51</sup>

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45 Sister Mary Ryan, Director, Centacare Family Services, Geraldton, *Committee Hansard*, 28 October 2015, p. 56.

46 Regional Capitals Australia, *Submission 48*, p. 39.

47 Charles Sturt University, *Submission 36*, p. 14.

48 Charles Sturt University, *Submission 36*, p. 14.

49 Charles Sturt University, *Submission 36*, p. 14.

50 Charles Sturt University, *Submission 36*, p. 14.

51 City of Ballarat, *Submission 27*, Attachment, Ballarat Strategy, Summary, p. 18.

3.31 The City of Ballarat has ensured that its response to these threats is embedded in all parts of the Ballarat Strategy: both to minimise the city's contribution to climate change in terms of greenhouse gas emissions, but also to build resilience to climate change. These measures include policy responses to prepare for both flooding and drought, and, as a consequence, continued focus on the conservation of water.<sup>52</sup>

3.32 The Tasmanian Government commissioned the Antarctic Climate and Ecosystems Cooperative Research Centre to conduct climate change modelling. Climate profiles were created for each local government area and a range of scenarios were detailed. As a consequence of this planning there have been policy responses across all areas of government.<sup>53</sup>

3.33 The Coffs Harbour City Council noted that there are significant costs associated with maintaining a coastal port in the face of increased extreme weather events, describing it as an expensive infrastructure exercise:

...with nearly \$3 million spent recently to remedy slipway contamination, and nearly \$4 million to conduct extensive hydrology and feasibility studies into the viability of a boat maintenance facility (that would involve constructing additional breakwaters). The NSW State Government also recently spent \$20 million on refurbishing the southern breakwater, and will spend an additional \$15 million to reinforce the northern breakwater.<sup>54</sup>

3.34 The increase in extreme weather events has had a significant financial impact on residents and businesses in Townsville. The Townsville City Council provided evidence to the committee that insurance premiums in Northern Queensland inhibit investment and increase the costs for businesses and residents. The table on the following page illustrates the range of premiums payable for a single level brick house built in 1990 and insured for \$350,000.<sup>55</sup>

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52 City of Ballarat, *Submission 27*, Attachment, Ballarat Strategy, section 5.

53 Regional Development Australia – Tasmania, *Submission 18*, p. 24.

54 Coffs Harbour City Council, *Submission 13*, pp. 5-6.

55 Townsville City Council, *Submission 19*, pp. 24-25.

<b>Location</b>	<b>Cost (\$)</b>
Brisbane (Ferny Hills)	1 957.16
Brisbane (Runcorn)	2 197.66
Mackay	3 882.50
Townsville (Annandale)	4 581.42
Innisfail	5 803.49
Ingham	7 304.52
Cairns	9 190.16
Weipa	10 861.92

*Range of premiums payable for a single level brick house built in 1990 and insured for \$350,000.<sup>56</sup>*

3.35 The premium attached to insurance for homes in Northern Queensland is staggering. Townsville City Council noted that some insurers will not insure properties in this region because the risk of damage due to flood, cyclone or other natural disaster is deemed too high. Townsville City Council identified a range of measures to assist residents, including the creation of a Commonwealth owned insurance agency (similar to one offered in the Northern Territory), the removal of stamp duty from insurance premiums, the expansion of the role of the Australian Reinsurance Pool Corporation, or the creation of a National Disaster Insurance Pool.<sup>57</sup>

3.36 The Queensland government has created a Community Resilience Fund specifically targeted at improving the resilience of local governments to natural disasters and has been working with insurance providers and residents to ensure that homes that are retrofitted to withstand extreme weather events enjoy lower premiums.<sup>58</sup>

#### ***Costs associated with building and maintaining infrastructure from a low rate base***

3.37 Many regional capitals struggle to fund the maintenance of infrastructure from a low rate base.

3.38 The City of Ballarat reported that 'rate capping' would have a severe impact on the capacity of local governments to invest in infrastructure to promote growth. The city described its discretion to increase rates as 'one of the few options the Council does have to provide funds to maintain existing infrastructures and service

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56 Townsville City Council, *Submission 19*, pp. 24-25.

57 Townsville City Council, *Submission 19*, p. 25.

58 Mr Darren Cleland, Acting Deputy Director-General, Queensland Department of State Development, *Committee Hansard*, 16 February 2015, p. 9.

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provision, while debt and grant facilities are used to fund new/growth infrastructures'.<sup>59</sup>

3.39 The City of Launceston submitted that limits of local government boundaries present significant challenges for the city, arguing that it is inequitable when 67 000 residents are paying to maintain infrastructure also enjoyed by 40 000 others in the Greater Launceston area:

One of the significant challenges for Launceston is the constraints of local government boundaries. That significant numbers of the residents of the Greater Launceston region reside beyond the Launceston City Council municipal boundaries places a significant financial burden on the Launceston ratepayers. Regional facilities such as the Aurora Stadium football and surrounding sporting precinct, the Launceston Aquatic Centre, Princess Theatre and the Queen Victoria Museum and Art Gallery, are heavily subsidised by the Launceston ratepayers.

The Council has engaged in discussions with the State Government seeking a partnership approach that pursues a fairer funding model for these major regional facilities that shares the cost.<sup>60</sup>

3.40 Tamworth Regional Council made a similar point, criticising the federal government for not taking into account the services provided by regional capitals to the surrounding region:

Federal Funding...is distributed on a range of factors including population and the relative —disability of a Council's demographic – but it does not take into account that Regional Centres provide a whole range of infrastructure, facilities and services to surrounding Councils where their ratepayers do not make any contribution – for example, sporting fields, regional playgrounds, swimming pools etc. are all paid for and subsidised by local ratepayers, but a visitor from a surrounding area does not make any substantial contribution toward the cost of providing that facility.<sup>61</sup>

3.41 These problems are exacerbated by the fact that large grants from the federal government for infrastructure are not usually accompanied with funds for maintenance. For example, the Mayor of Dubbo, Councillor Dickerson, gave the following example to the committee:

[We] got some money out of the federal government recently for an athletics facility, which is a fantastic facility—an international-class athletics facility. It was a \$5.7 million build, of which about \$3.5 million came from the federal government—fantastic. In terms of all of our long-term strategic planning, we put money aside because we know that track will be replaced in 20 years time. We have to be putting money aside now.

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59 City of Ballarat, *Submission 27*, p. 9.

60 City of Launceston, *Submission 80*, p. 1.

61 Tamworth Regional Council, *Submission 60*, p. 13

That is costing us money every day, but it is a great facility for Dubbo. So those big pools of money sometimes are not great from the community.<sup>62</sup>

3.42 A similar observation was made by Councillor Van Styn during the committee's Geraldton hearing. Federal funding usually is associated with establishment costs and not the 'operation, maintenance and renewal' of assets. This presents a 'real problem' for regional capitals.<sup>63</sup>

### ***Limitations on debt financing***

3.43 A number of other factors can constrain the ability of regional capitals to raise capital. Some councils described difficulties that they had encountered when attempting to raise debt finance.<sup>64</sup>

3.44 In Victoria, all local governments are required to manage debt levels at a cap of 60 per cent of rates. This can present challenges for regional centres like Ballarat where most growth must be accommodated in greenfield sites. The costs associated with this development include capital works and infrastructure spending to accommodate *new* residents – who are not yet paying rates.<sup>65</sup> The City of Ballarat explained in its submission that:

For Ballarat the effective level of the debt it can use to fund growth and development opportunities is 60% x \$74.9m = \$44.9m. In terms of context, in 2014 the City of Ballarat spent \$37.4m on developing new /growth infrastructures, on top of \$32.9m in 2013. Ballarat is currently spending around 83% of its borrowing capacity every year on new infrastructures. This is not sustainable. To support new infrastructure spending which will benefit residents over the long term, the City is increasingly required to spend revenues generated by current residents, creating intergenerational equity related issues.

The debt the City is able to incur equates to around 1.2 years' worth of new capital infrastructure spending. The City would be in a position to increase its spending on new infrastructures if it was able to access more debt funds and not be subject to the 60% revenue funding cap. With borrowings of \$34.2m, the City can only access an additional \$10.7m of borrowings before it reaches its borrowing limit.

This development, which will generate future rates revenue, must be funded under the borrowing limit, which is based on current rate levels. This timing difference is a major impediment to local government, particularly regional capital growth and development.<sup>66</sup>

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62 Councillor Mathew Dickerson, Chairman, Evocities, *Committee Hansard*, 4 March 2016, p. 38.

63 Councillor Shane Van Styn, Board Member, Western Australia Regional Capitals Alliance, *Committee Hansard*, 28 October 2015, p. 44.

64 See, for example, City of Ballarat, *Submission 27*, p. 10; Warrnambool City Council, *Submission 51*, p. 11.

65 City of Ballarat, *Submission 27*, p. 9.

66 City of Ballarat, *Submission 27*, p. 9.



### ***Other funding constraints***

3.45 Submitters identified a range of other constraints on funding, including poorly developed funding markets and the high cost of debt capital, and called for tailored funding and grant models.<sup>67</sup> During the committee's hearing in Geelong, Mr Schinck, City of Ballarat, described a range of responses that were necessary to address these constraints, including funding models that 'relieve the pressure on ratepayers and government funding'. Examples include:

Those investment streams can come from non-public and private sector organisations in terms of direct investment, investment in houses, superannuation funds...<sup>68</sup>

[In relation to variable funding models] This can be everything from tax incentives for regionally targeted investment, to group funding models, social capital bonds, partnership funding models, treasury models—which Regional Cities Victoria has looked at—and even the use of defined superannuation benefits.<sup>69</sup>

3.46 Funding is discussed in more detail in Chapter 4.

### ***Urgent infrastructure needs***

3.47 Nearly all regional capitals that submitted to the inquiry reported urgent infrastructure needs and observed that finding funding to address these needs presented a challenge.<sup>70</sup> Two examples follow.

3.48 Townsville is struggling to meet its future water and energy needs. During the committee's hearing in Townsville, the committee learned that a range of solutions were being pursued to address these needs and that applications for federal and state funding had been submitted. Mr Graeme Bolton explained the pressing needs of Townsville:

Some of them range from very small amounts like \$5 million or \$6 million for a couple of road intersection upgrades which would unlock the potential for a new abattoir and a new feedlot. The return on investment on that was that, from our calculations, you would get a return on it within two years in terms of the throughput and the value of that industry.

They also then go up to something like the Integrated Stadium and Entertainment Centre. The current facilities for the Cowboys are significantly under standard, and they are going to have to be upgraded. We are going to have to do something. They cannot continue on there past

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67 City of Ballarat, *Submission 27*, pp. 9–11.

68 Mr Anthony Schinck, CEO, City of Ballarat, *Committee Hansard*, 21 August 2015, p. 33.

69 Mr Anthony Schinck, CEO, City of Ballarat, *Committee Hansard*, 21 August 2015, p. 33. Tax relief for investment in regional Australia was also briefly mentioned during the committee's hearing in Townsville: Mr Darren Cleland, Acting Deputy Director-General, Queensland Department of State Development, *Committee Hansard*, 16 February 2015, p. 9.

70 See generally, Regional Capitals Australia, *Submission 48*, p. 5.

couple of years. That is roughly \$270 million for a stadium plus entertainment centre.

Then you are looking at water security. One option is the Haughton duplication. That is somewhere about \$180 million. But there are other opportunities out there such as the Hell's Gate dam, which would be significantly higher, but that has the potential to open up new agricultural areas and new opportunities for other businesses.<sup>71</sup>

3.49 The City of Geraldton has urgent electricity supply needs. The current 132 kilovolt power supply limits the development of the region as a 330 kilovolt electricity supply which is 200km away, has not been extended to Geraldton due to financial constraints upon the state government. Geraldton explained the consequences of this limitation:

As a result, any potential industry that will require more than 1.5MW is required to install back-up generator capacity to continue operations whilst the power supply is being curtailed by the energy provider. This creates a significant barrier or disincentive to potential industries that could provide value added services to the mining industry and important economic growth. Because of the low 1.5MW threshold, the policy also impacts on other service industries including retail shopping centres.

In addition to the above, the lack of connectivity to the 330KV transmission lines prevents expansion of renewable energy production (such as wind farms and solar farms) within the region by preventing access to markets in the southern part of the state where demand is highest.

Geraldton's continued economic growth is and will continue to be thwarted whilst the current power supply arrangements are in place.<sup>72</sup>

### **Access to communication technology**

3.50 RCA reported that variable broadband quality is a particular problem for regional capitals. In some areas, broadband coverage is good in the city, but poor in residential areas and for others it is the opposite:

The majority of the regional cities surveyed classified their current broadband coverage and quality as poor to variable. A smaller group classified their current broadband coverage as satisfactory to good.<sup>73</sup>

3.51 CSU observed that uneven distribution of communications technology has the potential to significantly distort regional markets. Some regional capitals will receive economic benefits and others will find it difficult to compete without adequate communications infrastructure. This has an impact on universities and also a range of industries and businesses:

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71 Mr Graeme Bolton, Director, Planning and Development, Townsville City Council, *Committee Hansard*, p. 17.

72 City of Greater Geraldton, *Submission 31*, p. 8.

73 Regional Capitals Australia, *Submission 48*, p. 35.

With both the national and global economy increasingly reliant of a digital presence, and with business increasingly conducted online and utilising new technologies, the lack of even adequate, let alone state of the art, communications technology infrastructure applies a major handbrake to regional capital growth and economic expansion.<sup>74</sup>

3.52 RCA noted that when the National Broadband Network (NBN) was initially announced it was welcomed as a way to close the economic and social inequity between residents in regional capitals and those in metropolitan areas.<sup>75</sup> Further, the NBN was viewed as a key piece of infrastructure to attract and retain students, residents, industries and businesses. Regional capitals that were the beneficiaries of an early rollout noted that the results are excellent. For example, Armidale attributed its recent growth, in part, to the rollout of fibre to the premises NBN.<sup>76</sup> Launceston has also benefited from the early roll out.<sup>77</sup>

3.53 However, many regional capitals are concerned that the current policy decision to reprioritise the delivery timetable and the move from fibre to the premises to fibre to the node will result in some regional areas waiting longer for a service. They were concerned that in the end they may obtain a service that is inferior to that available in metropolitan areas.<sup>78</sup>

3.54 Those that did not yet have the NBN felt the loss keenly and lamented the government's decision to no longer provide fibre to the premises, but fibre to the node. Mr Bolton, Townsville City Council, described the difference in the following terms:

[T]he analogy would be that it would be like creating a new town and putting the highway through to the middle of town but not putting in any of the connecting roads or driveways into the houses. You create access to part of the way but you cannot get that last crucial bit from the main road through to your front door.<sup>79</sup>

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74 Charles Sturt University, *Submission 36*, p. 12.

75 Regional Capitals Australia, *Submission 48*, p. 34.

76 Armidale Dumaresq Council, *Submission 38*, p. 2. Compare with Warrnambool City Council, *Submission 51*, p. 15.

77 Mr Charles Perkins, Chief Executive Officer, Regional Development Australia Tasmania, *Committee Hansard*, 25 September 2016, p. 4.

78 Regional Capitals Australia, *Submission 48*, p. 35.

79 Mr Graeme Bolton, Director, Planning and Development, Townsville City Council, *Committee Hansard*, p. 19.

### ***Freeze on indexing for federal financial assistance grants***

3.55 In the 2014–2015 budget the federal government announced a pause in the indexation of the Local Government Financial Assistance Grants.<sup>80</sup> All local governments who submitted to the inquiry were highly critical of the federal government's decision to freeze indexation.

3.56 The City of Greater Geelong submitted that this decision would disproportionately impact 'high growth regional capitals'.<sup>81</sup> Albury and Wodonga Councils submitted that the freeze would result in a significant loss of revenue.<sup>82</sup> The WA Local Government Association noted that the freeze, combined with reductions in state government grants, 'may result in rates increases and cuts to services and will therefore have an adverse impact on communities in regional capitals and the regions they serve'.<sup>83</sup> This decision is discussed in more detail in Chapter 4.

### **Conclusion**

3.57 The challenges faced by regional capitals are particular to each region. Nevertheless some shared challenges have emerged and many of these challenges also contain opportunities for growth. Regional capitals themselves offered a range of solutions to the problems identified. Given the federal structure in Australia, state governments have a crucial role to perform, as do universities, local councils, local communities and businesses. The next chapter examines how the federal government is assisting regional centres to respond to challenges and harness opportunities.

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80 Budget 2014-15, Budget Paper No. 2, Part 2: Expenses and Measures, Infrastructure and Regional Development, [http://budget.gov.au/2014-15/content/bp2/html/bp2\\_expense-18.htm](http://budget.gov.au/2014-15/content/bp2/html/bp2_expense-18.htm) (accessed 7 November 2016).

81 City of Greater Geelong, *Submission 30*, p. 3.

82 Albury and Wodonga Councils, *Submission 65*, p. 12

83 WA Local Government Association, *Submission 46*, p. 4.

# Chapter 4

## Federal funding of regional capitals

### Introduction

4.1 This chapter outlines the federal funding arrangements for regional capitals. Regional capitals across Australia identified inadequate funding as their primary challenge.<sup>1</sup> However, other witnesses submitted that it is impossible to determine whether funding is adequate or, indeed, how much funding is reaching regional areas.<sup>2</sup>

4.2 It is difficult to assess the quantum of funding provided to regional capitals. This is related, in part, to the poor quality of data available to decision makers pertaining to regional capitals.<sup>3</sup> Professor Fiona Haslam-McKenzie, Co-Director of the Centre for Regional Development, University of Western Australia, reported that there is poor collection of data, huge variability between regions and a lack of consistent population data. She noted that in relation to Western Australia, it is often 'very difficult to know exactly how many people are using resources and infrastructure in regional capitals'.<sup>4</sup> Furthermore, it is often difficult to work out *who* is responsible for collecting the data.

4.3 The Regional Australia Institute advised the committee that it is 'factually impossible' to assess how much funding regional capitals receive. Mr Jack Archer, CEO, told the committee:

It is factually impossible to make a decent assessment of that situation. The information about how money from different levels of government is flowing into these places is impossible. I suspect that none of the governments know. Individual programs are doing their thing as best they can. It is not like it is wilful neglect but, across the broad complexity of government, one of the biggest challenges to the institute's work is there is no information base around that. One of the challenges we have—and we did not respond to that part of the inquiry's terms of reference, purely because we did not feel we could put the evidence on the table.<sup>5</sup>

4.1 In addition to difficulties associated with determining the quantum of funding, the committee heard that there is very little certainty that existing funding will continue for any period of time. Regional Capitals Australia (RCA) conducted an infrastructure assessment of federal program funding in regional capitals and

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1 See, for example, Rockhampton Regional Council, *Submission 6*, p. 2.

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

3 See, for example, Australian Sustainable Built Environment Council, *Submission 45*, p. 3.

4 Professor Fiona Haslam-McKenzie, Co-Director, Centre for Regional Development, University of Western Australia, *Committee Hansard*, 28 October 2015, p. 1.

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

concluded that the only predictable funding programs were Roads to Recovery and the Black Spot programs. These programs were targeted at addressing the need for 'urgent repairs to decaying or dangerous infrastructure *not* to generate economic activity and growth'.<sup>6</sup>

4.2 Despite these challenges, the committee has made an effort to identify the range of federal funding streams available to regional centres.<sup>7</sup>

### **Federal programs**

4.3 The federal government has a range of programs to support regional development. The Department of Infrastructure and Regional Development's 2015 submission lists the following:

- Infrastructure investment program
  - Heavy vehicle safety and productivity program
  - Black spot programme
  - Roads to recovery program
  - National highway upgrade program
  - Bridges Renewal program
- National stronger regions fund
- Regional development programs
  - Community development grants program
- Tasmanian jobs and growth package
- Finance assistance grant program (including Regional Centre Funding)
- Regional Development Australia (RDA) committees
- Air transport
  - Airports and aviation in regional centres
  - Regional package for international services
  - Regional airline access at Sydney Airport
- Intermodal transport hubs
- Relocating Commonwealth agencies to regional centres.<sup>8</sup>

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6 Regional Capitals Australia, *Submission 48*, p. 22. Emphasis in original.

7 These funds are supported by funds from state and territory governments.

8 Department of Infrastructure and Regional Development, *Submission 76*, pp. 17–25 (May 2015).

4.4 The committee received evidence in submissions and during hearings about the effectiveness of these and other programs. Four of the more significant programs are discussed in more detail below.

#### *Federal assistance grants*

4.5 Federal Assistance Grants (grants) are untied grants and payments that are paid by the federal government to local governments through the states via the Local Government Grants Commission in each state and territory.<sup>9</sup> The grant program comprises:

1. a general component that is distributed between the states and territories according to population (on a per capita basis); and
2. an identified local road component that is distributed between the states and territories according to fixed shares.<sup>10</sup>

4.6 Local government grants commissions recommend the distribution of the funding under the program to local governments in accordance with the relevant legislation and the National Principles for allocating grants.<sup>11</sup> The size of the grant to each state changes each year, in accordance with population and the Consumer Price Index. The aggregate grant for local government in each state and territory for 2016–2017 follows:

*Table 4.1*

Jurisdiction	General Purpose \$	Local Roads \$	Total \$
New South Wales	508,095,062	204,085,189	712,180,251
Victoria	397,215,307	145,020,454	542,235,761
Queensland	318,493,238	131,795,765	450,289,003
Western Australia	172,207,706	107,554,465	279,762,171
South Australia	112,799,283	38,657,876	151,457,159
Tasmania	34,275,869	37,276,466	71,552,335
Northern Territory	16,129,077	16,477,568	32,606,645
ACT	26,037,340	22,555,574	48,592,914
<b>Total</b>	<b>\$1,585,252,882</b>	<b>\$703,423,357</b>	<b>\$2,288,676,239</b> <sup>12</sup>

9 The grant is provided under the *Federal Government (Financial Assistance) Act 1995* (Cth).

10 Department of Infrastructure and Regional Development, *Submission 76*, p. 21.

11 National Principles for the allocation of grants under the Local Government (Financial Assistance) Act 1995, <http://regional.gov.au/local/assistance/national-principles-allocation-of-grants.aspx> (accessed 4 November 2016).

12 Department of Infrastructure and Regional Development, 'Financial Assistance Grant to Local Government', <http://regional.gov.au/local/assistance/index.aspx> (last updated 6 October 2016).

4.7 The Treasurer has discretion to alter the annual indexation of the grants. In the 2014-2015 Budget the federal government announced that it would freeze the indexation of the grant program for three years from 1 July 2014 to achieve a saving of \$925.2 million.

4.8 Submitters recognised the important function that grants perform in regional capitals. However, as discussed in Chapter 3, regional councils were critical of the federal government's decision to freeze the indexation of the grants in the 2014-2015 budget, and indicated the severe impact this measure would have on local governments.<sup>13</sup> The City of Greater Geelong submitted that this decision would disproportionately impact 'high growth regional capitals'.<sup>14</sup> Albury and Wodonga Councils argued that the freeze would result in a significant loss of revenue.<sup>15</sup>

4.9 The government's 2016-2017 budget papers suggest that indexation is expected to return in the 2017-2018 year; however the government has not made an explicit announcement that this is the case.<sup>16</sup> The decision to freeze the indexation created additional financial pressures on regional councils across Australia and the government's failure to confirm whether the freeze will be lifted only perpetuates this stress.

4.10 Aside from the freeze on indexation, these grants were generally supported by regional capitals, particularly because they were untied grants.<sup>17</sup>

4.11 The Grattan Institute submitted that such grants do not particularly support 'bolting' regions, as the grants are 'awarded disproportionately to inland cities and rural areas, at the expense of both capital cities and capital city satellites'.<sup>18</sup> This arises from 'out-dated formulae, which allocates a minimum amount to local councils even if their population is falling or lacks sufficient scale to support service delivery'.<sup>19</sup>

4.12 A number of submitters suggested that the grant formula does not recognise the functional role that regional capitals serve to residents of surrounding towns. For example, Geraldton provides services and infrastructure that is utilised by non-residents (and non-rate payers).<sup>20</sup> Similar arguments were made by a number of other submitters. Tamworth Regional Council submitted that:

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13 Budget 2014-2015, Budget Paper No. 2, Part 2: Expenses and Measures, Infrastructure and Regional Development, [http://budget.gov.au/2014-15/content/bp2/html/bp2\\_expense-18.htm](http://budget.gov.au/2014-15/content/bp2/html/bp2_expense-18.htm)

14 City of Greater Geelong, *Submission 30*, p. 3.

15 Albury and Wodonga Councils, *Submission 65*, p. 12

16 Budget Statements 2016-2017, Department of Infrastructure and Regional Development, Table 2.3.2, [https://infrastructure.gov.au/department/statements/2016\\_2017/budget/dird\\_table\\_2-3-2.aspx](https://infrastructure.gov.au/department/statements/2016_2017/budget/dird_table_2-3-2.aspx).

17 Western Australia Local Government Association, *Submission 46*, pp. 13-14, citing, in part, a 2012 Ernst and Young report on local government infrastructure.

18 Grattan Institute, *Submission 2*, Attachment, Investing in regions: Making a difference, p. 45.

19 Grattan Institute, *Submission 2*, Attachment, Investing in regions: Making a difference, p. 45.

20 City of Greater Geraldton, *Submission 31*, p. 4.



Federal Funding [e.g. Federal Assistance Grants] is distributed on a range of factors including population and the relative —disability of a Council's demographic – but it does not take into account that Regional Centres provide a whole range of infrastructure, facilities and services to surrounding Councils where their ratepayers do not make any contribution – for example, sporting fields, regional playgrounds, swimming pools etc. are all paid for and subsidised by local ratepayers, but a visitor from a surrounding area does not make any substantial contribution toward the cost of providing that facility.<sup>21</sup>

4.13 The City of Ballarat also called for a funding model that recognised projected growth not just current population levels:

The critical issue facing Ballarat and other high growth regional capitals is not so much existing population, but future population. It is the expected future population that is driving many of the funding, financing and service delivery type issues – attempting to develop tomorrow's regional capitals, with today's budgets and limitations. In doing this, today's residents are funding the benefits that will be received by future residents; there are intergenerational equity issues being created by the existing funding models. Funding based on projected population, as opposed to existing population would commence this process to be readdressed.<sup>22</sup>

4.14 The department's submission noted that the National Principles under the grant program enable local government commissions to take into account the functions of local governments and their capacity to raise revenue. Further:

Grants commissions can also divide Financial Assistance Grants according to local government priorities within the state, which could include providing greater funding to local governments affected by significant external activities, such as growth in non-resident populations.<sup>23</sup>

4.15 The grant program is an important source of revenue for local governments across Australia. A key strength is the flexibility it provides to local governments. However, the effectiveness of this funding stream is hampered by the federal government's decision to freeze the indexation of the grant and, in the view of some regional capitals, the funding formula.

### ***National Stronger Regions Fund and the Building Better Regions Fund***

4.16 The National Stronger Regions Fund (NSRF) is a program targeted at the promotion of economic development in Australia's regions. The federal government initially announced the allocation of \$1 billion over five years commencing the 2015-2016 financial year. Local governments and incorporated not-for-profit organisations were eligible to apply for funding grants ranging from \$20,000 and \$10 million. The department described the purpose of the fund in the following terms:

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21 Tamworth Regional Council, *Submission 60*, p. 13.

22 City of Ballarat, *Submission 27*, p. 13.

23 Department of Infrastructure and Regional Development, *Submission 76*, p. 21.

The programme is designed to enhance economic growth, activity and output of our regions and sustain these gains into the future. The Fund has a particular focus on assisting disadvantaged regions to achieve growth. While the Fund will be delivered nationally, regional centres that are able to demonstrate regional disadvantage will be better able to meet the assessment criteria during application appraisals.<sup>24</sup>

4.17 During the 2016 election the government promised to change the NSRF to ensure that only regional, rural and remote Australia would be eligible for grant funding. The funding criteria would be expanded to include small community groups. The new fund would be called the Building Better Regions Fund (BBRF).<sup>25</sup> No new funding has been allocated as the outstanding funding in the NSRF of \$297.7 million over three years was transferred to the BBRF.<sup>26</sup>

4.18 During the October Estimates hearing the Rural and Regional Affairs and Transport Legislation Committee sought further information from the department on the BBRF. The funding guidelines are not yet available; however Sydney, Melbourne, Brisbane, Adelaide, Perth and Canberra would not be eligible to apply for funding.<sup>27</sup> There will be two funding streams:

...a national infrastructure stream, and you will see projects similar to those that have received funding under NSRF be eligible under that element of the program—things such as sporting facilities, tourism infrastructure, healthcare facilities, agricultural infrastructure and general community infrastructure. That is the national infrastructure stream.

With regard to the community investment stream, this will include expansion of local festivals to bring more tourists to regional Australia, and it will provide leadership and training in mentoring, and strategic job plans for regions.<sup>28</sup>

4.19 Less than a fifth of funding associated with the NSRF is allocated to regional cities or regional capitals.<sup>29</sup> Councillor Dickerson, Dubbo Council, described programs like the NSRF as 'great when you get them...disappointing when you miss

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24 Department of Infrastructure and Regional Development, *Submission 76*, p. 23.

25 Senator the Hon. Fiona Nash, Minister for Regional Development, Regional Communications, and Rural Health, *Media Release*, 20 June 2016, <http://nationals.org.au/coalition-building-better-regions/> (accessed 5 September 2016).

26 Mr Mike Mrdak, Secretary, Department of Infrastructure and Regional Development, *Proof Estimates Hansard*, 17 October 2016, p. 39.

27 Ms Ruth Wall, Department of Infrastructure and Regional Development, *Proof Estimates Hansard*, 17 October 2016, p. 37.

28 Ms Ruth Wall, Department of Infrastructure and Regional Development, *Proof Estimates Hansard*, 17 October 2016, p. 37.

29 Mr Jack Archer, Chief Executive Officer, Regional Australia Institute, *Committee Hansard*, 4 March 2016, p. 9.

out. They do seem to be a little bit sporadic and they do not seem to always be based on merit'.<sup>30</sup>

4.20 Some witnesses were very critical of the NSRF, particularly the decision to fund some projects around the City of Perth.<sup>31</sup> For example, Councillor Shane Van Styn, Board Member, Western Australia (WA) Regional Capitals Alliance, told the committee that regional capitals in WA had not 'seen any direct benefit from the Stronger Regions Fund'. In part this is because of the requirement to provide matched funding from the local government and state government. Councillor Van Styn argued that this is not practical for many regional capitals:

What is unique to regional capitals, of course, is that we do have smaller populations—so a smaller rate base and a smaller financial base—and so to do nation-building projects, such as a port, means the idea that the City of Greater Geraldton, for want of an example, is going to contribute one-third of the cost of a \$2 billion port is, quite frankly, ridiculous. And yet that port will deliver significant financial benefits to the nation. There is no allowance; they are using these population based statistics to go, 'We don't get our bang for buck.' There needs to be a far better look at the strategic importance of regional infrastructure.<sup>32</sup>

4.21 Councillor Van Styn observed that funding should not be directed to sports stadiums and 'wonderful' projects, rather it should be directed to nation-building projects that promote development and employment, for 'we will transform a city on a road; we will transform a city on a port'.<sup>33</sup>

4.22 The WA Local Government Association identified a number of weaknesses that arise from tied grants, like the NSRF:

- There is often little certainty that funding will continue and if so, for what period;
- The programs often operate for a short period of time and eligibility for grants may be limited;
- It is difficult for local governments to incorporate grants into their budgets, as assumptions must be made about probability of receiving the grant, the level of grant funding, and the date of receipt of the funds;
- Lower priority projects may be pursued because they receive grant funding and higher priority projects miss out; and

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30 Councillor Mathew Dickerson, Chairman, Evocities, *Committee Hansard*, 4 March 2016, p. 36.

31 Councillor Shane Van Styn, Board Member, Western Australia Regional Capitals Alliance, *Committee Hansard*, 28 October 2015, p. 36.

32 Councillor Shane Van Styn, Board Member, Western Australia Regional Capitals Alliance, *Committee Hansard*, 28 October 2015, p. 42.

33 Councillor Shane Van Styn, Board Member, Western Australia Regional Capitals Alliance, *Committee Hansard*, 28 October 2015, p. 42.

- Local governments may have to invest in pre-construction work to apply for a 'shovel ready' grant that they may not receive funding for.<sup>34</sup>

4.23 The committee considers that the reforms to the fund were necessary and appropriate, and are more likely to benefit regional capitals across Australia. It is nonsensical for Australian capital cities to obtain funding through a funding program targeted at supporting infrastructure development in Australia's regions.

### ***Smart Cities Plan***

4.24 During the committee's March 2016 hearing, the Regional Australia Institute suggested that the federal government follow the successful City Deals incentive program used in the United Kingdom (UK), City Deals. This would require the government to look for opportunities in regional capitals and assist those regional capitals through incentive funding to address gaps in particular projects.<sup>35</sup> The committee was interested in this proposal.

4.25 Shortly thereafter, on 29 April 2016, the government released its Smart Cities Plan. The government describes the document as a 'plan for supporting productive, accessible, liveable cities that attract talent, encourage innovation and create jobs and growth'.<sup>36</sup> A significant program within this plan is the City Deals. While not exclusively targeted at regional cities, the paper notes that regional cities are 'especially well placed to take advantage of City Deals'.<sup>37</sup>

4.26 As noted, City Deals have their origins in the UK. The federal structure in Australia means that the implementation of the UK program will need to be tailored to local conditions. In Australia, the government will tie federal funding to reform and incentives at the state and local level.<sup>38</sup> The Department of Prime Minister and Cabinet explained that:

Through City Deals, governments, industries and communities will develop collective plans for growth and commit to the actions, investments, reforms and governance needed to implement them.

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34 Western Australia Local Government Association, *Submission 46*, pp. 13–14, citing, in part, a 2012 Ernst and Young report on local government infrastructure.

35 Mr Jack Archer, Chief Executive Officer, Regional Australia Institute, *Committee Hansard*, 4 March 2016, p. 5. See also, *Introducing City Deals: a smart approach to supercharging economic growth and productivity*, KPMG, 2014. <https://www.kpmg.com/AU/en/IssuesAndInsights/ArticlesPublications/Documents/uk-city-deal-economic-growth-productivity.pdf> (accessed 8 March 2016).

36 Australian Government, *Smart Cities Plan*, 2016, <https://cities.dpmc.gov.au/smart-cities-plan> (accessed 3 October 2016).

37 Australian Government, Department of Prime Minister and Cabinet, *Smart Cities Plan*, April 2016, p. 21.

38 Australian Government, Department of Prime Minister and Cabinet, *Smart Cities Plan*, April 2016, p. 21.

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City Deals will be structured around nationally and locally informed objectives, with a focus on economic growth, jobs creation, housing affordability, and environmental outcomes.<sup>39</sup>

4.27 The Senate Finance and Public Administration Legislation Committee sought further information about City Deals during the October 2016 Estimates. Dr Kennedy, Deputy Secretary, Department of Prime Minister and Cabinet, explained that:

City deals are an opportunity for...three levels of government to collaborate: local level, state and Commonwealth. They are typically constructed around areas where those levels of government can provide reform or promote, particularly, the jobs and growth opportunities in those cities. The model that is being developed, and is currently being developed in Australia, draws very much on the international practice. So city deals have been a feature of some countries, in particular the United Kingdom, where they have been used to reform, in some cases, local governance and planning reform. They have been used for incentives to, say, improve training processes. They might be structured around a key piece of infrastructure that is being provided to a city.<sup>40</sup>

4.28 The City Deals discussion focuses on six areas of collaboration between the federal, local and state governments, including:

- infrastructure and transport;
- governance, city planning and regulation;
- housing, housing supply and affordability;
- jobs and skills;
- innovation and digital opportunities; and
- liveability and sustainability.<sup>41</sup>

4.29 RCA cautiously welcomed the City Deals program. The Chair of RCA and City of Greater Geraldton Mayor, Shane Van Styn said:

We've seen the needle begin to move when it comes to including regional cities in national urban planning. Now we need to ensure regional capital

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39 Australian Government, Department of Prime Minister and Cabinet, *Smart Cities Plan*, April 2016, p. 21.

40 Dr Steven Kennedy, Deputy Secretary, Innovation and Transformation Group, Department of Prime Minister and Cabinet, *Proof Committee Estimates Hansard*, Finance and Public Administration Committee, 17 October 2016, p. 72.

41 Dr Steven Kennedy, Deputy Secretary, Innovation and Transformation Group, Department of Prime Minister and Cabinet, *Proof Committee Estimates Hansard*, Finance and Public Administration Committee, 17 October 2016, p. 72.

cities receive the transport, education, employment opportunities and technology services it needs to meet the needs of a growing population.<sup>42</sup>

4.30 Two of the first three City Deals announced by the government focus on regional capitals: Launceston and Townsville (the third is Western Sydney).<sup>43</sup> The government announced its intention to enter into a City Deal with Townsville on 26 July 2016:

The Commonwealth Government is investing in the future of Townsville and the future of Northern Queensland, providing \$100 million towards a modern stadium, entertainment venue and headquarters in Townsville for the 2015 NRL premiers, the North Queensland Cowboys.<sup>44</sup>

4.31 The government commenced discussions with the Tasmanian government and the City of Launceston to establish a City Deal to:

[M]aximise the long-term benefits of the UTAS relocation, committing \$7.5 million to the Council to renew the Launceston CBD, making it an attractive and accessible place to work, study, visit and live.<sup>45</sup>

4.32 Dr Kennedy acknowledged that the three City Deals that have been announced are in cities where the federal government — prior to the City Deal — had already made significant infrastructure commitments. The federal government is negotiating with state and local governments to create incentives for particular types of behaviour, and the three city deals will act as pilot projects 'to get the structure right for subsequent city deal arrangements'.<sup>46</sup>

4.33 Memorandums of understanding (MOU) have been signed with the Tasmanian government. No such MOU has been entered into with any other government.<sup>47</sup>

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42 Regional Capitals Australia, *Media Release*, 'Regional Capitals Australia focused on 'first 100 days' in Canberra', 12 September 2016.

<http://www.regionalcapitalsaustralia.org/index.php/news/rca-news/itemlist/date/2016/9?catid=1>

43 The Hon. Angus Taylor, Assistant Minister for Cities, 'New City Deal approach will deliver more affordable homes', *Media Release*, 12 September 2016.

44 The Hon. Angus Taylor, Assistant Minister for Cities, 'Townsville City Deal discussions underway', *Media Release*, 26 July 2016.

45 The Hon. Angus Taylor, Assistant Minister for Cities, 'Smart Cities Plan rolls out for Tasmania', *Media Release*, 14 September 2016.

46 Dr Steven Kennedy, Deputy Secretary, Innovation and Transformation Group, Department of Prime Minister and Cabinet, *Proof Committee Estimates Hansard*, Finance and Public Administration Committee, 17 October 2016, p. 72. The Launceston City Deal should be entered into in early 2017 and the NSW City Deal by the end of 2017: Mrs Wiley-Smith, First Assistant Secretary, Cities Division, Innovation and Transformation Group, Department of Prime Minister and Cabinet, *Proof Committee Estimates Hansard*, Finance and Public Administration Committee, 17 October 2016, p. 74, 76.

47 Dr Steven Kennedy, Deputy Secretary, Innovation and Transformation Group, Department of Prime Minister and Cabinet, *Proof Committee Estimates Hansard*, Finance and Public Administration Committee, 17 October 2016, p. 75.

4.34 The committee acknowledges concerns expressed by stakeholders that the goals of the program are excellent, but the detail is sketchy and the commitment to a UK-style program questionable.<sup>48</sup>

4.35 While the committee welcomes innovation in regional investment, 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.

### ***Regional universities***

4.36 Another aspect of investment in regional capitals is that of federal funding to regional universities across Australia. This funding is administered by the Department of Education and Training, and for this reason is not included in the Department of Infrastructure and Regional Development's list of funding programs designed to support regional development.<sup>49</sup> Yet universities are present in many regional capitals and make a key contribution to the economic, educational, community and social life in those cities.

4.37 The committee received submissions from a number of regional universities and also heard evidence of their importance during hearings.<sup>50</sup> A key point of contention arose from the Grattan Institute's suggestion that the government should reduce investment in regional universities as such investment did not provide a good return. The Grattan Institute concluded that regional universities in Australia do not:

- encourage additional productivity-enhancing innovation by local firms;
- promote higher rates of tertiary education participation and attainment; or
- help retain more skilled young people in the region.<sup>51</sup>

4.38 The Grattan Institute's analysis focused on the economic contribution made by regional universities to their regions and did not consider the contribution that regional universities may make to the cultural and community life of the region.<sup>52</sup>

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48 For a discussion of the appropriateness of applying the UK City Deals model to Australia see, for example, Richard Tomlinson, Professor of Urban Planning, University of Melbourne, 'New name, new look for latest national urban policy, but same old problem', *The Conversation*, 17 May 2016; Peter O'Brien, Andy Pike and John Tomaney, 'Deal or no deal: are UK-style City Deals a good bet for Australia?', *The Conversation*, 26 May 2016.

49 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).

50 See, for example, Regional Universities Network, *Submission 11*; Deakin University, *Submission 34*; Charles Sturt University, *Submission 36*. Appendix 2 lists witnesses who appeared before the committee.

51 Grattan Institute, *Submission 2*, Attachment 1, J. Daley and A. Lancy, *Investing in our regions: making a difference*, Melbourne, Grattan Institute, p. 30.

52 Grattan Institute, *Submission 2*, Attachment 1, J. Daley and A. Lancy, *Investing in our regions: making a difference*, Melbourne, Grattan Institute, p. 30.

4.39 In hearings and submissions, universities stridently rejected these conclusions, and suggested that the Grattan Institute had misinterpreted the data and in some cases relied on incomplete data.<sup>53</sup> The universities that appeared before the committee made a persuasive case that they are a crucial part of their regional capitals and provide multiple returns on investment. For example:

- regional universities limit 'brain drain' from regional areas;<sup>54</sup>
- students who study at regional universities are much more likely to continue to work in rural and regional areas;<sup>55</sup>
- regional universities encourage participation rates in education in regional and rural areas;<sup>56</sup>
- the cost of sending a student to a capital city is upward of \$20,000 per year per student, and this takes both the student and these funds out of the local community. Further this cost is out of reach for many regional students;<sup>57</sup>
- regional universities provide areas of specialisation relevant to their local communities and work closely with local businesses to enable local communities to grow;<sup>58</sup>
- many regional universities in large cities have study hubs and campuses in smaller cities and towns, thus providing educational opportunities to the wider community;<sup>59</sup>

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53 For two detailed discussions of the Grattan Institute's report see James Cook University, *Additional information from Professor Sandra Harding*, received 22 February 2016 and Regional Universities Network, *Additional information following hearing in Townsville on 16 February 2016*, received 19 February 2016.

54 Ms Karen Arbouin, Associate Vice-Chancellor, Townsville and North West Region, Central Queensland University, *Committee Hansard*, 16 February 2016, p. 52.

55 For example, Charles Sturt University, *Submission 36*; Professor Sandra Harding, *Committee Hansard*, 16 February 2016, pp. 23–24 (up to 81.4 per cent of students are retained).

56 For example, 65% of domestic students enrolled at the University of Central Queensland are rural and regional students: Ms Karen Arbouin, Associate Vice-Chancellor, Townsville and North West Region, Central Queensland University, *Committee Hansard*, 16 February 2016, p. 51.

57 Mr Charles Jenkinson, Executive Officer, Regional Development Australia – South West, *Committee Hansard*, 28 October 2016, p. 14. See also, Ms Karen Arbouin, Associate Vice-Chancellor, Townsville and North West Region, Central Queensland University, *Committee Hansard*, 16 February 2016, p. 52.

58 For example, James Cook University offers specialisation in the tropics, Professor Sandra Harding, *Committee Hansard*, 16 February 2016, p. 21. Deakin University has developed a centre of excellence in insurance and disability: Professor Jan den Hollander, Vice-Chancellor, Deakin University, *Committee Hansard*, 21 August 2015, p. 19. See also, Deakin University, *Submission 34*, pp. 3–4.



- regional universities are significant employers in their cities;<sup>60</sup>
- regional universities are important for mature age students who wish to upskill but because of family, employment and other constraints are unable to relocate to cities to study;<sup>61</sup> and
- regional universities provide other non-educational benefits.<sup>62</sup>

4.40 Indubitably, universities perform a critical function in regional capitals and their surrounding communities. The committee recognised the need for continued federal support for these reasons.

4.41 The committee was also impressed by the role performed by study hubs such as the Geraldton Universities Centre (GUC). The GUC is not a university or a registered training organisation. It is a not-for-profit organisation based in Geraldton that supports local students who are enrolled in distance education.<sup>63</sup> With the support of the local community, the GUC provides support for nine different university programs, including: nursing, social work, engineering and teaching.<sup>64</sup> This includes at least two hours of face to face tutoring for students each week, pastoral care, IT services and library access. Through its work the GUC has boosted university participation in Geraldton and assisted in addressing skills shortages.

4.42 Ms Natalie Nemes, Director of the GUC, explained the benefits to individual students and the Geraldton community:

The key is that these students are staying and studying at GUC because they love their regional capital. This is where they want to be. So, why would we want to lose them? Why would we want our best and brightest to go elsewhere? We are also decreasing that revolving door of needing to bring professionals constantly in and out...<sup>65</sup>

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59 For example, Charles Sturt University has campuses in Albury-Wodonga, Bathurst, Canberra, Dubbo, Goulburn, Orange, Port Macquarie and Wagga Wagga: *Submission 36*; James Cook University has campuses in Cairns, Singapore and Townsville and has smaller study centres in Mount Isa, Thursday Island and Mackay. Central Queensland has more than 20 campuses locations, Ms Karen Arbouin, Associate Vice-Chancellor, Townsville and North West Region, Central Queensland University, *Committee Hansard*, 16 February 2016, p. 51.

60 For example, Deakin University, *Submission 34*.

61 Charles Sturt University, *Submission 36*, p. 9

62 These include social, cultural and environmental benefits: Regional Universities Network, *Submission 11*, p. 2; Charles Sturt University, *Submission 36*, p. 7.

63 Geraldton Universities Centre, *Submission 81*. The centre was initially established with seed funding from the WA Royalties for Regions program.

64 Ms Natalie Nemes, Director Geraldton Universities Centre, *Committee Hansard*, 28 October 2015, p. 25.

65 Ms Natalie Nemes, Director Geraldton Universities Centre, *Committee Hansard*, 28 October 2015, p. 26.

4.43 Despite the important contribution the GUC makes to the regional capital of Geraldton, because it is not a university it is unable to receive direct federal funding. Instead, it must negotiate with universities to share a portion of federal funding allocated per a student. This means that no funds are available for capital works. In order for organisations like the GUC to grow and establish in other regional capitals, reforms to federal funding are necessary.<sup>66</sup>

### **Does federal funding promote economic development?**

4.44 The Grattan Institute argued that governments should not attempt to promote economic growth in struggling regional centres as this is an undertaking doomed to fail. This conclusion is based on its study of the effectiveness of government investment in regional Australia which found that 'growth is primarily driven by economic factors governments don't control'.<sup>67</sup> The Grattan Institute criticised the regional equity approach to funding and recommended that government funding be allocated on the basis of the number of *new* residents in a regional centre (and not on the current population). This is because in their view regional growth is not being achieved through investment.<sup>68</sup> The Grattan Instituted observed that:

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.<sup>69</sup>

4.45 As a consequence of the regional equity approach based on current population, residents of high growth areas are treated unfairly, because funding is not directed to rapid-growth centres near capital cities and on the east coast.<sup>70</sup> The Grattan Institute was careful to make clear that it was not suggesting that funds should be stripped from smaller and slower growing parts of rural and regional Australia. However, it argued governments need to recognise that this support is provided for equity reasons and not because the support will promote 'self-sustaining economic growth'.<sup>71</sup>

4.46 This evidence received a varied response. Not surprisingly, a number of witnesses rejected the conclusions of the Grattan Institute, particularly those from the

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66 Ms Natalie Nemes, Director Geraldton Universities Centre, *Committee Hansard*, 28 October 2015, pp. 30–31.

67 Grattan Institute, *Submission 2*, Attachment 1, John Daley and Annette Lancy, *Investing in regions: making a difference*, Grattan Institute, Melbourne, 2011, p. 20.

68 Grattan Institute, *Submission 2*. See also, John Daley and Annette Lancy, *Investing in regions: making a difference*, Grattan Institute, Melbourne, 2011.

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

70 Grattan Institute, *Submission 2*, p. 2.

71 Grattan Institute, *Submission 2*, p. 2. Note: A full list of recommendations contained in the study are available at p. 7 of Attachment 1. Chapter 1 provides a useful history of regional cities.

regions that had been characterised as 'lagers'.<sup>72</sup> The evidence provided by the Grattan Institute is an important reminder to the federal government that it should take care to articulate the *intended purpose* of federal funding.

## Conclusion

4.47 RCA criticised the current federal funding model, submitting that it was responsive rather than proactive and recommended that funding should be more targeted. The RCA cited the following Organisation for Economic Co-Operation and Development (OECD) recommendation that described what regional funding should look like:

- a shift from subsidy approach to one based on strategic investments to develop the area's most productive activities;
- a focus on local factors as a means of generating new competitive advantages, such as amenities (environmental or cultural) or local products (traditional or labelled);
- a shift from a sectoral to a territorial policy approach, including attempts to integrate the various sectoral policies at regional and local levels and improve co-ordination at the national government level;
- decentralisation of policy administration and, within limits, policy design to those levels; and
- increased use of partnerships between public, private and voluntary sectors in the development and implementation of local and regional policies.<sup>73</sup>

4.48 These proposals are worthy of closer consideration, particularly in Australia's federal context. The next chapter considers how federal investment can meet the economic and social infrastructure needs of regional capitals.

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72 See, for example, Mr Robert Dobrzynski, General Manager, City of Launceston, *Committee Hansard*, 25 September 2015, p. 30; Mr Bruce Anson, Chief Executive, Warrnambool City Council, *Committee Hansard*, 21 August 2015, p. 37.

73 OECD Regional Outlook 2014, *Regions and Cities: Where Policies and People Meet*, October 2014 cited in Regional Capitals Australia, *Submission 48*, p. 22.



# Chapter 5

## Infrastructure investment

### Introduction

5.1 This chapter examines how federal investment can meet the economic and social needs of regional capitals. Particular attention is given to the *Australian Infrastructure Plan* prepared by Infrastructure Australia and the important work of the Senate Select Committee on the Scrutiny of Government Budget Measures in its second interim report of April 2016.

### Infrastructure Australia: Australian Infrastructure Plan

5.2 Infrastructure Australia (IA) released the Australian Infrastructure Plan in February 2016. The plan sets out a program of reforms, including proposals to:

- Improve the quality of infrastructure planning, decision-making and delivery.
- Maximise growth in regional economies and better respond to regional Australians' needs.
- Support the transition to a more sustainable economy and ensure that Australia's infrastructure is resilient to dynamic risks.
- Increase the funding for new infrastructure and maintenance of Australia's existing assets.<sup>1</sup>

### *Productive regions*

5.3 IA observed that the delivery and operation of quality infrastructure to Australia's regions is expensive. IA forecasted that demand for key exports produced by regions such as minerals, energy, agriculture and tourism would increase in the coming 15 years. IA also identified a number of infrastructure needs in regional Australia. For example, some road networks cannot support productive freight vehicles, mobile coverage is inconsistent and there is less choice of service providers, and, drinking water does not always meet adequate standards.<sup>2</sup>

5.4 To address these needs, IA made a range of recommendations in relation to transport, energy, telecommunications and water:

- A National Freight and Supply Chain Strategy should be developed to identify efficient routes from farm to market and to inform strategic infrastructure projects.
- States and territories should develop long-term plans and coordinate public and private investments to support fast-growing regional hubs to be as productive as possible.

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1 Infrastructure Australia, *Australian Infrastructure Plan*, February 2016.

2 Infrastructure Australia, *Australian Infrastructure Plan*, February 2016, p. 59.

- The Australian Government and regulators should review energy market rules to ensure they support de-centralised energy sources, such as micro-grids, to provide alternatives for regional towns.
- The Australian Government should redirect the approximately \$300 million per annum of the telecommunications Universal Service Obligations (paid by taxpayers and industry) from fixed line services towards improving mobile infrastructure.
- The Australian and state governments should commit to increasing information on water resources to identify water infrastructure priorities to support agricultural opportunities, particularly in the north.
- States and territories should review the current capacity of regional drinking water providers, and commit to more sustainable, cost-effective models that deliver safe and reliable water. For example, where multiple council providers exist, measures such as shared services, council amalgamations, government owned regional corporations, franchising or privatising utilities should be considered.<sup>3</sup>

5.5 Support for high potential regional hubs will contribute to regional and national productivity. In order to achieve such growth there must be coordination between government and private sector investments.<sup>4</sup> A number of the necessary reforms identified by IA were also highlighted by submitters and witnesses to the inquiry. For example, telecommunications access, water infrastructure and the use of micro-grids were identified as key infrastructure needs by submitters.<sup>5</sup>

5.6 However, the committee also heard criticisms of the plan, particularly because of its focus on capital cities. Mr Houghton, Regional Australia Institute, described the focus on large roads and urban congestion as a sign that regional cities are not even 'on that radar'.<sup>6</sup>

### **Select Committee on the Scrutiny of Government Budget Measures, second interim report of April 2016**

5.7 The Senate Select Committee on the Scrutiny of Government Budget Measures (the select committee) tabled a second interim report in April 2016. The committee made a range of recommendations relating to infrastructure financing and expenditure by the Australian government and its effect on the broader economy. A

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3 Infrastructure Australia, *Australian Infrastructure Plan*, February 2016, pp. 59–60.

4 Infrastructure Australia, *Australian Infrastructure Plan*, February 2016, p. 60.

5 See, for example: Townsville City Council, *Submission 19*; City of Greater Geraldton, *Submission 31*; Armidale Dumaresq Council, *Submission 38*, p. 2. Compare with Warrnambool City Council, *Submission 51*, p. 1

6 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.

number of these are relevant to the development of infrastructure in regional capitals.<sup>7</sup> It was recommended that the federal government:

- increase its level of borrowing to fund productivity enhancing infrastructure;
- issue infrastructure bonds to fund federal, state, territory and local government investment in infrastructure; and
- establish an independent infrastructure fund to manage federal government funding and spending for infrastructure.

5.8 The select committee recommended that the powers of IA be expanded to include responsibility for all projects seeking federal funding and called for project assessment funding to be transferred from the Department of Infrastructure and Regional Development to IA.

5.9 Finally, the select committee recommended that the criteria for project assessments include the proposed project's adherence to relevant federal, state, territory and/or local government infrastructure plans. At the time of reporting, the federal government had not tabled a response to this report.

5.10 The committee notes the careful assessment of evidence that supported these recommendations, and considers that regional capitals would benefit from the implementation of these recommendations.

### **Meeting the infrastructure needs of regional capitals**

5.11 Every local government that submitted to the inquiry identified a range of immediate infrastructure gaps and many provided business cases for infrastructure development. Regional Capitals Australia (RCA) provided three case studies where infrastructure spending for particular regional capitals would provide benefits to the city and the surrounding area based on population, economic structure, demand for services and strategic importance to the region.<sup>8</sup>

5.12 There is no doubt that most, if not all, regional capitals would benefit from further investment. The difficulty is how to do this more effectively and in a better coordinated way within existing funds.

5.13 Many witnesses and submitters considered that the answer was not to simply increase funding to regional capitals. Reviews of existing funding arrangements are necessary to first identify what funding is available to regional capitals, and whether it is achieving intended outcomes. This is no easy task, and as discussed in Chapter 4, the Regional Australia Institute told the committee that it was 'factually impossible to make a decent assessment' of whether regional capitals are underfunded.<sup>9</sup>

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7 Senate Select Committee in the Scrutiny of Government Budget Measures, *Second Interim Report*, April 2016, Chapter 7.

8 Regional Capitals Australia, *Submission 48*, pp. 26–28.

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

5.14 Yet, it is apparent that in Australia there is an acute inequity in infrastructure spending: infrastructure spending on a per capita basis is much higher in the eight capital cities compared to the rest of Australia. During the Canberra hearing Councillor Dickerson, Chairman of Evocities, told the committee that:

In the projections on infrastructure spend, we are spending approximately \$12,226 per person per year of growth in the eight state capitals. The equivalent growth across the rest of the nation—and this is not even regional capitals—is \$2,635 per person per year.<sup>10</sup>

5.15 A further challenge for regional capitals is that identifying the benefits of infrastructure spending can be difficult, because the economic benefits of infrastructure investment are not always immediate. Indeed infrastructure investment can 'create an environment for people to invest in, to stay in or learn in' and economic benefits flow on much later.<sup>11</sup> Mr Craig Perkins, Chief Executive Officer, Regional Development Australia Tasmania, observed that 'often the outcome from those types of projects, if the money has been strategically focused, take longer to identify'.<sup>12</sup> Mr Perkins provided the following example to illustrate his point:

A good example if you look in Launceston at the moment is Inveresk Railway Yards, which was I think under a better cities program or some such thing back in the early 1990s, when it was converted from the old, disused railway yards into what it is today, with the museum, university, football grounds and function centres. And now the proposition, and you will hear about that next, is that it is potentially a university. That is a 20-odd-year or 25-year time line. Sometimes the infrastructure spending—the North Bank one, for example—will enhance that part of Launceston, and the amenity and visitor appeal and so forth. But it may take many years before we actually realise the impact it has on the city from an economic point of view.<sup>13</sup>

5.16 Submissions and evidence given during hearings reminded the committee that development and investment for regional capitals should be much more than just investment in transport and other 'hard' infrastructure: investments in health, social, education infrastructure are also very important for regional capitals, and will require cooperation with state governments.<sup>14</sup> Mr Kim Houghton, CEO, Regional Australia

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10 Councillor Mathew Dickerson, Chairman, Evocities, *Committee Hansard*, 4 March 2016, p. 28. Councillor Dickerson advised that he obtained these figures from the federal government.

11 Mr Craig Perkins, Chief Executive Officer, Regional Development Australia Tasmania *Committee Hansard*, 25 September 2015, p. 2.

12 Mr Craig Perkins, Chief Executive Officer, Regional Development Australia Tasmania *Committee Hansard*, 25 September 2015, p. 2.

13 Mr Craig Perkins, Chief Executive Officer, Regional Development Australia Tasmania *Committee Hansard*, 25 September 2015, p. 2.

14 See, for example, Sister Mary Ryan, Director, Centacare Family Services, Geraldton, *Committee Hansard*, 28 October 2015, p. 56; Mr John Dennehy, Board Member, National Rural Health Alliance, *Official Committee Hansard*, 16 February, pp. 65–69.



Institute, described 'soft' infrastructure as 'critical enabling infrastructure' – things that promote the 'liveability' of a city:

Liveability brings the employers, employers bring the wages, the wages go up and you get into that virtuous cycle. So we keep coming back to those core things which the Commonwealth has a limited role in. That is why...if we look at an inducement to get those multi-tiers together and the silos across the individual state governments in order to set up the right pathway for that particular city at that particular time, that is where the biggest gain is going to be made.<sup>15</sup>

5.17 A positive example of investment in soft infrastructure is the transformation of an unused three level heritage building into the Macquarie House Innovation Hub in Launceston. The purpose of this initiative was to encourage entrepreneurship and assist start-ups to commercialise their ideas.<sup>16</sup> This process was initiated by a Regional Development Australia Tasmania sub-committee established to link the relevant Commonwealth department with the City of Launceston. The state government and the University of Tasmania are also involved in the initiative.<sup>17</sup> Local university students have been involved in designing the furniture and layout of the hubs, and the business community have also been engaged with the process. The project is still in its early stages, however initial indications suggest that the economic and social benefits of the investment can be expected for years to come.<sup>18</sup>

5.18 The committee heard that policy makers must make an effort to consult with local communities prior to announcing funding initiatives. There is a perception — accurate or otherwise — in many regional capitals that policy makers in cities are not in tune with the needs and desires of regional centres. Sister Mary Ryan, Centacare Geraldton noted that:

Geraldton is not the same as Sydney. It is not even the same as Perth—and even a lot of the places in Perth do not understand rural areas. It is about consultation. It is not just about us consulting with the community about what the real needs are and the way to solve these problems; it is also about governments consulting with people generally and not saying, 'If you do, people give you the big wish list.' There is a need for proper forums.<sup>19</sup>

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15 Mr Kim Houghton, Chief Executive Officer, Regional Australia Institute, *Committee Hansard*, 4 March 2016, p. 5.

16 Michael Ferguson, Minister for Information Technology and Innovation, 'Innovation Hub to foster entrepreneurship – opens in Launceston', *Media Release*, 30 September 2016.

17 Mr Craig Perkins, Chief Executive Officer, Regional Development Australia Tasmania *Committee Hansard*, 25 September 2015, p. 2. For an update, see: Regional Development Australia Tasmania, 'Macquarie House: Entrepreneurship and Incubator Hub', 10 March 2016, <http://www.rdatasmania.org.au/news/macquarie-house/> (accessed 2 September 2016).

18 A pop-up space was opened in September 2016 and in time it will move to Macquarie House: Michael Ferguson, Minister for Information Technology and Innovation, 'Innovation Hub to foster entrepreneurship – opens in Launceston', *Media Release*, 30 September 2016.

19 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.

5.19 The committee was also reminded that the statistics on growth in a particular regional capital are not always indicative of the social outcomes in that city.<sup>20</sup>

## **Conclusion**

5.20 Local governments across Australia, including regional capitals, have pressing infrastructure needs. Some of these needs are urgent – for example, water security and energy access. Other needs are less pressing but require forward planning and investment – a proactive rather than reactive approach. The federal government has a range of programs to address the needs of regional capitals, however, there is no national plan or co-ordinated approach between different levels of government. The final chapter of this report considers policy measures that would support sustainable growth in regional capitals, and address some of the current deficiencies in infrastructure funding.

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20 Sister Mary Ryan, Director, Centacare Family Services, Geraldton, *Committee Hansard*, 28 October 2015, p. 56. See also, Catholic Social Services Australia, *Submission 37*.

## 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.<sup>1</sup>

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.<sup>2</sup>

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

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.<sup>4</sup>

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:

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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.<sup>5</sup>

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'.<sup>6</sup> 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.<sup>7</sup> CSSA called for government programs to incorporate a focus on 'social service needs' and 'not just economic and employment' needs.<sup>8</sup>

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.<sup>9</sup> The Planning Institute of Australia cautioned that the 'most significant weakness' for regional cities is 'the lack

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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.

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

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.<sup>11</sup> 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.<sup>12</sup>

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.<sup>13</sup>

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

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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.<sup>14</sup>

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);**

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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.<sup>15</sup>

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.<sup>16</sup> However, a number of limitations prevent organisations like the GUC from applying for federal university funding.<sup>17</sup>

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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.<sup>18</sup> Federal funding should also recognise projected growth and not just the current or past population.<sup>19</sup>

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.<sup>20</sup> The committee considers that the Australian government should fund similar campaigns throughout Australia, to ensure that residents of capital

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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**

# **Additional comments from the Australian Greens**

## **Introduction**

1.1 The Australian Greens would like to thank all who submitted to this inquiry and who attended public hearings. We sincerely appreciate your interest and passion in this issue, and the commitment of time and effort to help inform the committee of the myriad of issues facing regional capitals and the complexity of responses that governments at all levels need to consider.

1.2 The Australian Greens would also like to acknowledge the committee's work on this inquiry. The Chair's report provides a valuable precis of regional capitals and provides a clear framework to develop policy responses. The Greens support the recommendations contained in the Chair's report.

## **Decentralisation**

1.3 As articulated in the committee report, post-war settlement patterns in Australia mimic those in much of the developed world, being a shift from smaller agrarian townships to larger urban centres. This has seen population grow in regional capitals, but not nearly to the same extent as population has grown in capital cities.

1.4 As a result—and despite perceptions to the contrary—Australia is one of the most heavily urbanised countries in the developed world, and has one of the highest concentrations of population in large capital cities in the world.

1.5 There is a sporadic history of government actively encouraging decentralisation of the population, particularly by locating government departments in regional capitals. Examples of Commonwealth agencies being deliberately housed in regional capitals include the location of the ASIC Registry in Traralgon, the ATO in Albury, and, more recently, the NDIS in Geelong. The location CSIRO in Hobart, Australia's smallest capital city, is a similar example and one that has been highly successful.

1.6 However, the Australian Greens acknowledge that the efficacy of active decentralisation policy has been mixed, and that it can be difficult to balance the national interest with local interest. For example, the recent decision to locate the Australian Pesticides and Veterinary Medicines Authority in regional NSW would appear to be more 'pork' than good public policy.

1.7 The Australian Greens believe there is a pressing need for active decentralisation policy to be considered in much greater detail than this inquiry has had the resources to do. We need to build the evidence on how to do decentralisation properly. These are decisions which have a generational timespan. It is incumbent on government to develop an informed view on settlement patterns and how it should respond so as to best secure the very long term prosperity of regional Australia.

### **Recommendation**

**1.8 The Australian Greens recommend that the government request the Productivity Commission to undertake an inquiry into the success of previous decentralisation policies in Australia and the potential for future active decentralisation policy in Australia, particularly in light of the strains on settlement patterns in capital cities.**

**Senator Peter Whish-Wilson**

# Appendix 1

## Submissions received

<b>Submission Number</b>	<b>Submitter</b>
1	Mr John Boom
2	Grattan Institute
3	Regional Development Australia - South West
4	Smithson Planning
5	Australian Bureau of Statistics
6	Rockhampton Regional Council
7	National Growth Areas Alliance
8	Greater Shepparton City Council
9	Horsham Rural City Council
10	Regional Development Australia ACT
11	Regional Universities Network
12	G21 - Geelong Region Alliance
13	Coffs Harbour City Council
14	Griffith City Council
15	University of Western Australia, Centre for Regional Development
16	Central NSW Councils (Centroc)
17	Committee for Geelong
18	Regional Development Australia - Tasmania
19	Townsville City Council
20	City of Greater Bendigo
21	Regional Chambers of Commerce and Industry of WA
22	City of Karratha
23	Australian Centre of Excellence for Local Government
24	Lismore City Council
25	Southern Downs Regional Council
26	Northern Rivers Regional Organisation of Councils (NOROC)
27	City of Ballarat
28	Hunter Business Chamber
29	WA Regional Capitals Alliance
30	City of Greater Geelong
31	City of Greater Geraldton
32	City of Busselton

33	Queensland Murray-Darling Committee
34	Deakin University
35	Regional Cities Victoria
36	Charles Sturt University
37	Catholic Social Services Australia
38	Armidale Dumaresq Council
39	Regional Development Australia Hunter
40	Northern Tasmania Development
41	Mr Gregor Ptok
42	Local Government Association of Queensland
43	Byron Shire Council
44	Cairns Regional Council
45	Australian Sustainable Built Environment Council
46	Western Australian Local Government Association
47	Toowoomba Regional Council
48	Regional Capitals Australia
49	Tweed Shire Council
50	Local Government Association of South Australia
51	Warrnambool City Council
52	Committee for Greater Shepparton
53	Regional Development Australia Illawarra, Illawarra Business Chamber and Wollongong City Council
54	Professor Bruce Wilson, Professor Laurie Buys and Professor Douglas Baker
55	Mackay Regional Council
56	Evocities
57	Wagga Wagga City Council
58	Temora Shire Council
59	Planning Institute Australia
60	Tamworth Regional Council
61	Confederation of Australian Motor Sport
62	Latrobe City Council
63	Regional Development Australia - Riverina
64	Teys Australia
65	Albury Wodonga
66	Cessnock City Council
67	ACT Government
68	Orange City Council
69	Regional Australia Institute
70	Mr Peter Brohier

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71	Provincial Cities Association of South Australia
72	CASAR Park
73	Queensland Government
74	Tasmanian Government
75	Goulburn Mulwaree Council
76	Department of Infrastructure and Regional Development
77	Immigration and Border Protection Portfolio
78	Mr Neil White
79	G21 Agribusiness Forum
80	City of Launceston
81	Geraldton Universities Centre
82	Mid West Chamber of Commerce and Industry
83	Aboriginal Affairs Coordinating Committee
84	Professor Paul Burton
85	Regional Development Australia- North West Queensland

## **Additional information received**

### **Tabled documents**

- Tabled by Regional Development Australia - Tasmania on 25 September 2015 in Launceston. Feedback on the Australian Infrastructure Audit.
- Tabled by Regional Development Australia - Tasmania on 25 September 2015 in Launceston. Labour Market Profile: North West Tasmania, Australia.
- Tabled by Midwest Gascoyne Human Services Regional Managers Group on 28 October 2015 in Geraldton. Strategic Plan 2014 – 2016.
- Tabled by Mr John Dennehy, Board Member, National Rural Health Alliance on 16 February 2016 in Townsville. Opening Statement and notes for NRHA appearance at Public Hearing in Townsville 16 February 2016.
- Tabled by Catholic Social Services Australia on 4 March 2016 in Canberra. Dropping off the Edge 2015.
- Tabled by Charles Sturt University on 4 March 2016 in Canberra. Vice-Chancellor's Statement.

### **Additional information**

- Received on 13 March 2015, from the City of Ballarat. Additional information, Preliminary Ballarat Strategy;

- Received on 14 October 2015, from Regional Development Australia. Tasmania. Additional information regarding the 25 September 2015 hearing;
- Received on 6 November 2015, from the University of Tasmania. Answers to Questions taken on Notice on 25 September 2015;
- Received on 19 February 2016, from Regional Universities Network. Additional information regarding the 16 February 2016 hearing;
- Received on 22 February 2016 from Professor Sandra Harding, James Cook University. Additional information, Comment on the Grattan report *Investing in Regions*;
- Received on 22 February 2016 from Professor Sandra Harding, James Cook University. Additional information, 'Proximity not sole participation factor' article in *The Australian*;
- Received on 1 March 2016, from the Office of the Director-General, Department of State Development. Answers to Questions taken on Notice on 16 February 2016;
- Received on 24 March 2016, from the Australian Bureau of Statistics. Answers to Questions taken on Notice on 4 March 2016;
- Received on 1 April 2016, from Catholic Social Services Australia. Answers to Questions taken on Notice on 4 March 2016;
- Received on 4 April 2016, from Charles Sturt University. Answers to Questions taken on Notice on 4 March 2016.



## Appendix 2

### Public hearings and witnesses

#### Friday, 21 August 2015, Geelong, VIC

- ANSON, Mr Bruce Alexander, Chief Executive, Warrnambool City Council
- BETTESS, Mr Peter Robert, General Manager, Planning and Tourism, City of Greater Geelong
- BROWN, Mr Peter Fuller, Chief Executive Officer, Horsham Rural City Council
- CARBINES, Ms Elaine, Chief Executive Officer, G21, Geelong Region Alliance
- CASSON, Ms Rebecca, Chief Executive Officer, Committee for Geelong
- COMERFORD, Councillor Deirdre, Chair, Regional Capitals Australia
- CONNOLLY, Mr Bruce, Manager Regional Strategy, Latrobe City Council
- DALEY, Prof. John, Chief Executive Officer, Grattan Institute
- den HOLLANDER, Professor Jane, Vice-Chancellor, Deakin University
- KENDALL, Councillor Rod Kendall, Immediate Past Chair, Regional Capitals Australia
- LYONS, Councillor Darryn, Mayor, City of Greater Geelong
- MCGOVERN, Mrs Catherine, Secretariat—Government Relations Adviser, Regional Capitals Australia
- NEOH, Mr Michael, Chairman, Regional Cities Victoria
- SCHINCK, Mr Anthony, Chief Executive Officer, City of Ballarat
- SIMMONDS, Mr Dan, Chairperson, Committee for Geelong
- SPIELMAN, Ms Ruth, Executive Officer, National Growth Areas Alliance
- STONE, Mr Phil, General Manager Planning & Economic Sustainability, Latrobe City Council
- SWEENEY, Ms Rachael, Secretariat—Project Manager, Regional Capitals Australia
- TIETZEL, Mr Christopher King, Acting Chief Executive Officer, Greater Shepparton City Council

#### Friday, 25 September 2015, Launceston, TAS

- BARLING, Mr Craig, Program Director, Division of the Chief Operating Officer, University of Tasmania
- BRINDLEY, Mr Mike, Community and Strategic Development Officer (North West), Regional Development Australia Tasmania
- CALFORD, Professor Michael, Acting Vice-Chancellor, University of Tasmania
- DOBRZYNSKI, Mr Robert, General Manager, City of Launceston

- HURST, Mrs Leanne, Director, Development Services, City of Launceston
- LE MARCHANT, Mr Derek, Executive Officer, Northern Tasmania Development
- PERKINS, Mr Craig, Chief Executive Officer, Regional Development Australia Tasmania
- PREECE, Mr Greg, General Manager, Meander Valley Council
- TEMPEST, Mr Michael, Project Officer, Northern Tasmania Development
- TURNER, Mr Kevin, Community and Strategic Development Officer (North), Regional Development Australia Tasmania
- VOS, Mr Rolph, Acting General Manager, West Tamar Council

### **Wednesday, 28 October 2015, Geraldton, WA**

- CARPENTER Mr Ian William, Board Member, Regional Capitals Australia
- DAVIES, Mr Bob, Director of Corporate and Commercial Services, City of Greater Geraldton
- DOUGLAS, Mr Steve, Chair, Geraldton Universities Centre
- HASLAM McKENZIE, Professor Fiona, Co-Director, Centre for Regional Development, University of Western Australia
- JEFFERIES, Mr Robert, Chief Executive Officer, Mid West Chamber of Commerce and Industry
- JENKINSON, Mr Charles, Executive Officer, Regional Development Australia - South West
- NEEDHAM, Mr Paul Scott, Director, Planning & Development Services, City of Busselton
- NELMES, Mrs Natalie, Director, Geraldton Universities Centre
- PRODONOVICH, Ms Caterina (Kitty), Chief Executive Officer, Regional Chambers of Commerce and Industry of WA
- RYAN, Sister Mary, Director, Centacare Family Services, Geraldton
- STRICKLAND, Mr Jamie, Member, Midwest Gascoyne Human Services Regional Managers Group; and Director, Regional Coordination, Department of Aboriginal Affairs, Western Australia
- VAN STYN, Councillor Shane, Board Member, Western Australia Regional Capitals Alliance

### **Tuesday, 16 February 2016, Townsville**

- ARBOUIN, Ms Karen Jane, Associate Vice-Chancellor, Townsville and North West Region, Central Queensland University
- BIRO, Ms Helga Etelka, Executive Director, Centacare Cairns, Catholic Social Services Australia
- BOLTON, Mr Graeme, Director, Planning and Development, Townsville City Council
- BURTON, Professor Paul, Director, Urban Research Program, Griffith University

- CLAUS, Mr Russell Clive, Executive Manager, Regional Development, Rockhampton Regional Council
- CLELAND, Mr Darren John, Acting Deputy Director-General, Queensland Department of State Development
- DENNEHY, Mr John Patrick, Board Member, National Rural Health Alliance
- FINOCCHIARO, Mr Angelo, Program Leader, Economic Development and Sustainability, Cairns Regional Council
- HARDING, Professor Sandra Lee, Vice-Chancellor and President, James Cook University
- McKENDRY, Mr David John, Executive Officer, Mackay Regional Council
- MONAGHAN, Mr Peter Edward, Director, Centacare North Queensland, Catholic Social Services Australia
- SCHUNTNER, Ms Glenys, CEO, Regional Development Australia Townsville and North West Queensland
- STEPHENSON, Ms Jo, Regional Director, Department of Infrastructure, Local Government and Planning
- THOMAS, Professor Jan, Chair, Regional Universities Network

#### **Friday, 4 March 2016, Canberra, ACT**

- ALCHIN, Mr Stephen, Executive Director, Planning, Infrastructure Australia
- ARCHER, Mr Jack, Chief Executive Officer, Regional Australia Institute
- CONOLLY, Ms Lisa Jane, Director, Regional, Family and Community Statistics, Australian Bureau of Statistics
- de CHASTEL, Ms Elizabeth (Liz), Director, Social Policy, Catholic Social Services Australia
- DICKERSON, Councillor Mathew, Chairman, Evocities
- GEIGER, Ms Cathryn, General Manager, Regional Economic Policy Branch, Policy and Research Division, Department of Infrastructure and Regional Development
- GEORGE, Mr Robert, Director, Centacare Bathurst, Catholic Social Services Australia
- HALL, Ms Jessica, General Manager, Infrastructure Policy Branch, Infrastructure Investment Division, Department of Infrastructure and Regional Development
- HOUGHTON, Mr Kim, General Manager of Policy and Research, Regional Australia Institute
- JELFS, Dr Paul, General Manager, Population and Social Statistics Division, Australian Bureau of Statistics
- JENSEN, Mr Paul Richard, Chief Executive Officer, Centacare South West NSW, Catholic Social Services Australia
- LUCAS, Mr Samuel, Acting General Manager, Local Government, Mainland Territories and Regional Development Australia Branch, Local Government and Territories Division, Department of Infrastructure and Regional Development

- McCORMICK, Mr Gordon, General Manager, Regional Programs Branch, Infrastructure Investment Division, Department of Infrastructure and Regional Development
- PARKINSON, Mr Jeremy, Director, Project Advisory, Infrastructure Australia
- PEARSON, Dr Leonie, Leader of Major Research Projects, Regional Australia Institute
- POWER, Ms Philippa, Executive Director, Policy and Research Division, Department of Infrastructure and Regional Development
- VANN, Professor Andrew, Vice-Chancellor, Charles Sturt University

## Appendix 3

Regional Capitals Australia Current Members	
RCA Local Council Member	State
Albury City Council	NSW
City Of Wagga Wagga	NSW
Coffs Harbour City Council	NSW
Dubbo City Council	NSW
Gosford City Council	NSW
Orange City Council	NSW
Tamworth Regional Council	NSW
Palmerston City Council	NT
Bundaberg Regional Council	QLD
Mackay Regional Council	QLD
Toowoomba Regional Council	QLD
Launceston City Council	TAS
Horsham Rural City Council	VIC
Greater Shepparton City Council	VIC
Ballarat City Council	VIC
City Of Wodonga	VIC
Greater Bendigo City Council	VIC
Greater Geelong City Council	VIC
Latrobe City Council	VIC
Rural City Of Wangaratta	VIC
Warrnambool City Council	VIC
City Of Albany	WA
City Of Bunbury	WA
City Of Greater Geraldton	WA
City Of Kalgoorlie-Boulder	WA
Shire Of Broome	WA
City of Karratha	WA
Town Of Port Hedland	WA

<b>Regional Capitals Australia – Eligible Councils</b>	
<b>Council</b>	<b>State</b>
Ballina Shire Council	NSW
Cessnock City Council	NSW
Lismore City Council	NSW
Maitland City Council	NSW
Newcastle City Council	NSW
Port Macquarie - Hastings Council	NSW
Shoalhaven City Council	NSW
Tweed Shire Council	NSW
Wollongong City Council	NSW
Wyong Shire Council	NSW
Alice Springs Town Council	NT
Cairns Regional Council	QLD
Fraser Coast Regional Council	QLD
Gladstone Regional Council	QLD
Mount Isa City Council	QLD
Rockhampton Regional Council	QLD
Sunshine Coast Regional Council	QLD
Townsville Regional Council	QLD
Port Lincoln City Council	SA
Burnie City Council	TAS
Devonport City Council	TAS
Mildura Rural City Council	VIC
City of Mandurah	WA