



Submission

September 2017

**Select Committee on Regional Development and  
Decentralisation**

Inquiry into:

REGIONAL DEVELOPMENT AND DECENTRALISATION

*SUBMISSION BY REGIONAL CAPITALS AUSTRALIA*

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## INTRODUCTION

Regional Capitals Australia (RCA) is pleased to present this submission for consideration by the Select Committee on Regional Development and Decentralisation (**‘the Committee’**) into Regional Development and Decentralisation.

RCA welcomed the March inquiry conducted by the Senate Finance and Public Administration Committee to examine the *‘policy of relocating corporate Commonwealth entities with agricultural policy or regulatory responsibilities’*; specifically, the application of such a policy to the Australian Pesticides and Veterinary Medicines Authority. Our submission into this inquiry can be located on the [Regional Capitals Australia Submission webpage](#).

RCA submits that the Committee’s comprehensive inquiry into regional development and decentralisation is well-timed, and with clear recommendations for growth has the potential to trigger enormous economic stimulus for RCCs, and facilitate the diversification of regional economies.

### Regional Capital Cities

RCA is a growing alliance of 31 local governments across the nation, representing Australia’s regional cities. Regional capital cities (RCC) are home to almost four million people and service the needs of another four million Australians who live in surrounding areas.

Our mission is to provide a platform to champion the strategic importance and sustainable development of regional cities around the nation.

The growth of Australia’s regional cities is a 100-year trend<sup>1</sup>. This trend is due to a pattern of consolidation from smaller towns to larger regional centres<sup>2</sup>, growth in Australia’s immigration rate and more recently, a haven for people looking for a liveable and affordable alternative to the congested major capitals<sup>3</sup>. An extra one million people are expected to call a RCC home by 2020.

RCCs however are not defined by size, but by the role the city plays in the wider region. RCCs act as service ‘hubs’ and perform a ‘capital city’ role within the region, providing a central point to access essential infrastructure, services, business, employment and education. These services and infrastructure are accessed by local residents as well as those in surrounding towns and rural areas. Every day, eight million Australians rely on RCCs for their everyday needs.

It is the position of RCA that ensuring RCCs have a stated place in policy along a range of initiatives that aim to grow and facilitate investment in regional cities will be fundamental to securing the long-term and sustainable growth in our regions.

## REGIONAL CAPITALS AUSTRALIA SUBMISSION

The RCA submission focuses on three key areas:

1. How an integrated, long-term regional policy that aims to build strong regional cities is crucial to the success of Australia’s regions;
2. How decentralisation drives social and economic development and is best deployed in RCCs; and
3. What value-adding initiatives should be deployed to support decentralisation.

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<sup>1</sup> The Bureau of Infrastructure, Transport and Regional Economics (BITRE): Evolution of Australian Towns - 2014

<sup>2</sup> Productivity Commission: Transitioning Regional Economies – Interim Report - 2017

<sup>3</sup> Regional Australia Institute: Census 2016: local growth across Australia - 2017

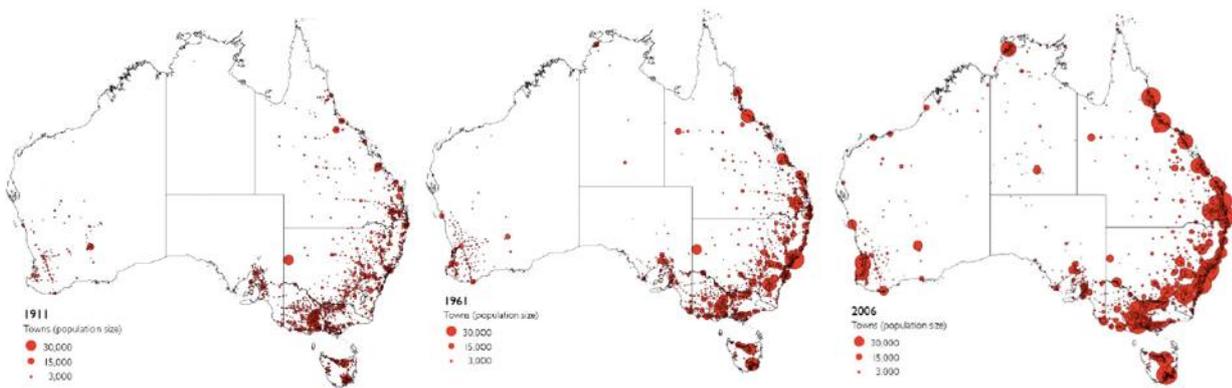
## MAKING THE CASE FOR REGIONAL CAPITAL CITIES

### Regional Capitals Cities are Central to Regional Development

#### *Rise of the RCCs is a long-term trend*

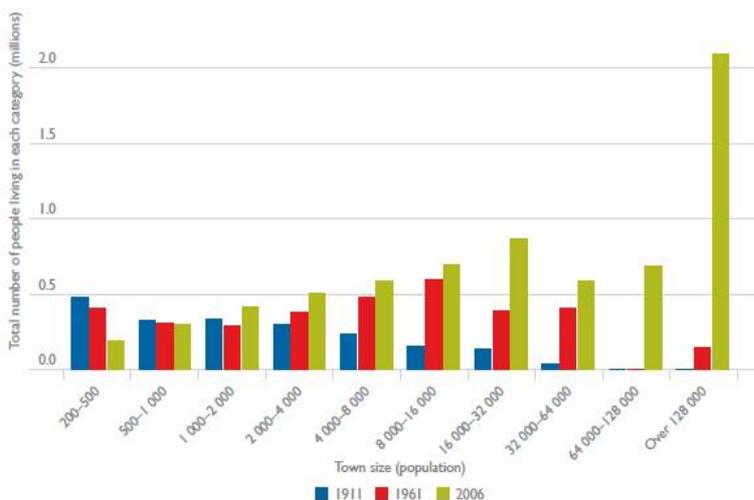
The growth of RCC is a long-term (100 year) trend. The Australian Government's Bureau of Infrastructure, Transport and Regional Economics (BITRE) released a report: Evolution of Australia's Towns (2014) that mapped the change in Australian towns over a 100 period. This report clearly showed that over this period Australia's population has trended towards a preference for people wanting to live in urban environments.

As the images below show, in 1911 (Figure 1) the majority of people lived in towns of 3000 people or less; by 1961 (Figure 2) the preference was for cities of 15,000 – 30,000 and by 2006, large urban centres were the place of choice and regional cities were growing faster than the state capitals (Figure 3 and 4).



Towns in Australia – population size – 1911, 1961, 2006

The same report stated: “The consistent decline in the share of Australia’s regional population compared to the major cities occurred in parallel with increasing urbanisation within regional areas....While the population share for towns and rural residents [in regional area] as a whole has been declining ....regional cities have and continue to grow” (p66).

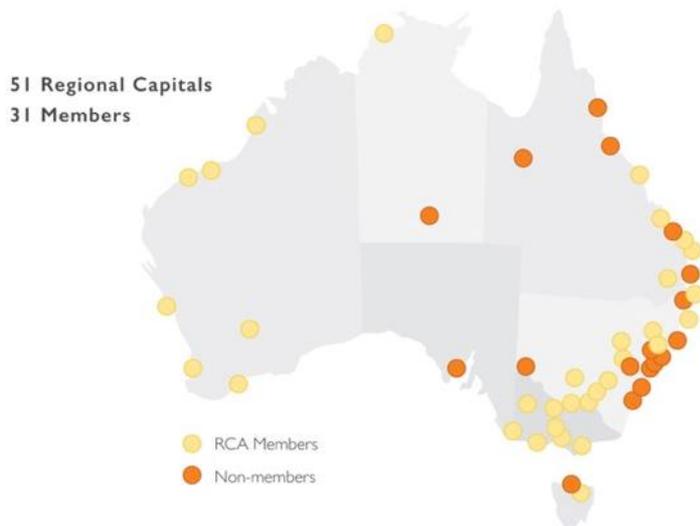


Populations of towns by town size 1911, 1961 and 2006

Note: Data does not include the five major capitals.

Source: BITRE analysis of ABS/CBCS Censuses 1911, 1961 and 2006.

Today, there are 51 regional capital cities that have a combined population of 4 million people – the sizes of the cities range from 15,000 to 240,000 residents.



*Regional Capital Australia – Regional Capital City Map*

### **Transitioning Economies and the liveable alternative**

The recent Productivity Commission (PC) review: Transitioning Regional Economies – Interim Report (2017) also concluded there has been a trend of consolidation from smaller towns to larger regional centres, noting the transitioning global economy was one reason for this growth.

The report found that while there was growth in Australia’s agricultural sector (a staple of the regional Australia economy) the rise of automation and overall efficiencies in this sector meant there had been a decline in the number of people employ in this sector. A similar patter of job losses were also occurring in the manufacturing sector. Regional cities, however with **strong service sectors** had growing populations and economies. The PC highlighted that this change in regional populations and economies could be attributed towards:

*“..productivity, technological change, demography, personal choices and increasingly connected regions through trade in services. The ease of transport today and the capacity to undertake transactions using the internet, mobile phones and satellite-based communications systems has facilitated this trend. There is also greater amenity associated with larger regional centres as well as access to a wider range of services (including schools, aged care services, hospitals and universities)” (p20.)*

### **Growth of the Hub and Spoke Model**

As outline by the PC, changes in the traditional economic activity in Australia’s regions combined with the population decline in smaller rural towns, today RCCs are now service centres. RCC’s provide central point to access essential infrastructure, services, business, employment and education. These services and infrastructure are accessed by local residents as well as those in surrounding towns and rural areas. In essence, RCCs perform a ‘capital city’ role within their regions.

To explore the regional development imperative of this trend, RCA partnered with the Regional Australia Institute (RAI) to examine the impact of “a hub and spoke” effect of RCCs on their regional towns. The RAI investigated a selection of RCCs, together with their surrounding hinterlands to examine the extent that the hub/spoke model exists in regional areas.

The RAI's method was to use elements from its *Insight* dataset themed around education, health and business services in addition to census data showing place of work and residence, focusing on a selection of RCC hubs and spokes. The RAI also examined movement between place of work and place of usual residence (work flows) and the disparity between hubs and spokes across the domains of education, health and business.

The purpose of conducting the case studies was to understand:

1. How communities **moved around regions**
2. What **distance from the hub means for spokes**

The study explored the 'strength' of services in both RCC and their surrounding hinterlands across the following areas:

- Workflow between hubs and spokes
- Access to financial services (business services) as percentage of population employed
- Access to health services (as a percentage of population employed)
- Access to tertiary education (as a percentage of population enrolled)
- Population growth (ABS data)
- Distance from an airport.

**Note:** In each table as part of this submission the city or town (hinterland) has received a rank indicating where the city or town sits in relation to access to a service or distance from a facility (refer above). Each LGA was ranked against the other 623 LGAs around Australia. The ranks have been grouped into bands, a mark of 1 means the area ranks in the top 20 percentile of all LGAs in Australia. A mark of 5 indicates the city or town is within the bottom 20 percentile of all LGAs

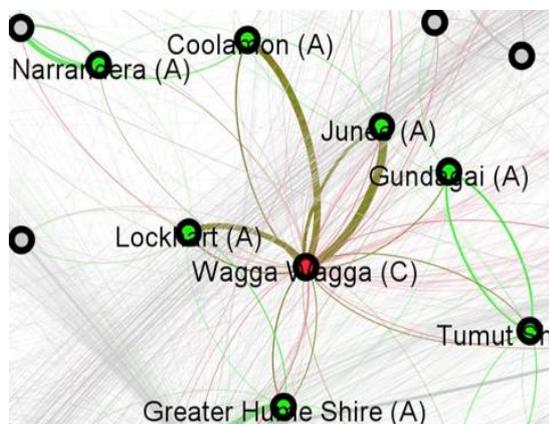
### Initial Findings of the Hub and Spoke

The RAI study focused on 4 hubs and 8 spokes across New South Wales, Queensland and Western Australia. These are explored below:

#### The Riverina and Wagga Wagga

The Riverina's capital is the city of Wagga Wagga and this region is an example of where a strong hub and spoke model is active and as such where the region is benefiting from a strong regional capital city.

#### Wagga Wagga and the Riverina region



\*The thicker olive-coloured lines demonstrate movement from the smaller towns into the city to access employment.

The flower like model between Wagga Wagga and the smaller rural towns of Junee, Gundagai and Lockhart show there are interdependencies of personal transport flows. Beyond this commutable distance, flows of employment tend to go towards nearby centres (Narrandera-Griffith) and to Albury (Greater Hume).

The report also revealed that the city of Wagga Wagga ranked in the top percentile (or the top 20%) of all LGA in having access to health (allied) and education services and connectivity infrastructure such as airports. The city had a lesser level of access (2nd percentile or the top 40%) to business services and more complex health services. Where services are not available at the Wagga Wagga Base hospital or higher order accounting firms, it means that people in the region may have to travel to a larger population centres such as Canberra or Sydney (refer to table below).

Interestingly this table shows that where Wagga does well in access to or distance from a service or infrastructure, the smaller hinterlands had a correlating strength or weakness.

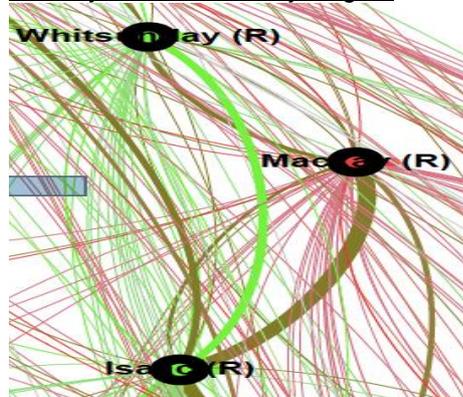
**Wagga Wagga: Riverina – hub and spoke access and distance:**

| Hub                | City Outcome<br>Ranked against all LGA's   | 'Spoke' LGAs<br>Ranked against all LGA's  |  |
|--------------------|--|---|--|
|                    | 1= highest 20%<br>5= lowest 20%  | 1= highest 20%<br>5= lowest 20%   |  |
| <b>Wagga Wagga</b> | <b>Wagga Wagga (C)</b>   | <b>Narrandera (A)</b>   | <b>Tumut (A)</b>   |
|                    | Population Growth: 1.3%  | Population Growth: 0.3%   | Population Growth: 0.3%  |
|                    | Access to:   | Access to:  | Access to:   |
|                    | <ul style="list-style-type: none"> <li>Health: 1</li> <li>Tertiary Ed: 1</li> <li>Financial services: 2</li> </ul> | <ul style="list-style-type: none"> <li>Health: 2</li> <li>Tertiary Ed: 1</li> <li>Financial services 2</li> </ul> | <ul style="list-style-type: none"> <li>Health: 3</li> <li>Tertiary Ed: 1</li> <li>Financial services: 2</li> </ul> |
|                    | Distance to:   | Distance to:  | Distance to:   |
|                    | <ul style="list-style-type: none"> <li>Medical facilities: 2</li> <li>Airport: 1</li> <li>Port: 5</li> </ul>       | <ul style="list-style-type: none"> <li>Medical facilities: 2</li> <li>Airport: 1</li> <li>Port: 5</li> </ul>      | <ul style="list-style-type: none"> <li>Medical facilities: 2</li> <li>Airport: 3</li> <li>Port: 5</li> </ul>       |

**The Whitsunday and Mackay**

The Mackay regional data again supported signs of a hub and spoke model but also showed the dominance of the mining sector on the Mackay economy with large worker flows to the adjacent Isaac LGA (a popular mining town).

**Mackay and Whitsunday Region**



\*The thicker olive-coloured lines demonstrate movement from the smaller towns into the city regarding access to employment.

The distance and accessibility data for Mackay also suggested the city is an important economic hub with higher percentile rankings for business services and economic infrastructure (top 40%). However the city showed much lower (4th percentile or bottom 40%) access to and distance from important social drivers such as health and education. The surrounding towns of the Whitsunday and Isaac also reflected the strengths and weakness of the region’s hub – of note both towns featured in the bottom percentile for both health and education.

**Mackay: Whitsunday – hub and spoke access and distance**

| Hub           | City Outcome<br>Ranked against all LGA's                                 | 'Spoke' LGAs<br>Ranked against all LGA's                                 |  |
|---------------|--|--|--|
|               | 1= highest 20%<br>5= lowest 20%  | 1= highest 20%<br>5= lowest 20%  |  |
| <b>Mackay</b> | <b>Mackay (C)</b>  | <b>Isaac (Moranbah) (R)</b>  | <b>Whitsunday (R)</b>  |
|               | Population Growth: 2.8%  | Population Growth 2.4%   | Population Growth 2.8%   |
|               | Access to:<br>• Health: 4<br>• Tertiary Ed: 4<br>• Financial services: 2 | Access to:<br>• Health: 5<br>• Tertiary Ed: 5<br>• Financial services: 2 | Access to:<br>• Health: 5<br>• Tertiary Ed: 5<br>• Financial services: 2 |
|               | Distance to:<br>• Medical facilities: 3<br>• Airport: 2<br>• Port: 1     | Distance to:<br>• Medical facilities: 4<br>• Airport: 3<br>• Port: 4     | Distance to:<br>• Medical facilities: 5<br>• Airport: 2<br>• Port: 4     |

**The Wheat Belt and Geraldton**

The City of Geraldton shows true hub and spoke characteristics, however due to the region having a much smaller population base the movements between the city and the smaller rural towns means the relationship is less pronounced.

Geraldton and the Wheat Belt



\*The thicker olive-coloured lines demonstrate movement from the smaller towns into the city regarding access to employment.

The city showed mid to lower levels of access to allied health services, however these were remarkably better when compared to the hinterland towns around it. Access and distance from connecting infrastructure ranked some of the highest in the nation that also impacted the access to financial services for business. Again there is a relationship of strength and weakness for the smaller rural towns based on what is available in the city of Geraldton.

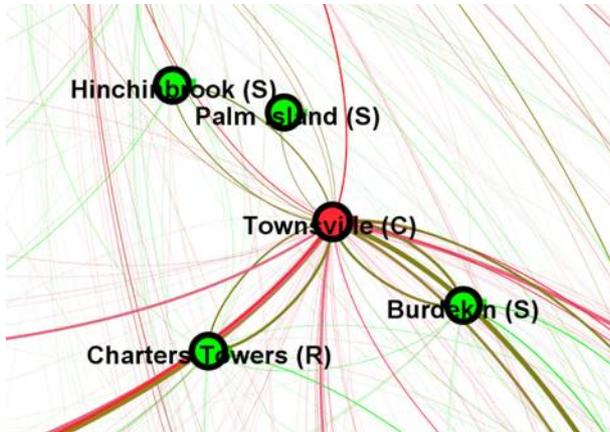
**Table 6: Geraldton: Wheat Belt – hub and spoke access and distance:**

| Hub              | City Outcome<br>Ranked against all LGA's  | 'Spoke' LGAs<br>Ranked against all LGA's   |  |
|------------------|---|--|--|
|                  | 1= highest 20%<br>5= lowest 20%   | 1= highest 20%<br>5= lowest 20%  |  |
| <b>Geraldton</b> | <b>Geraldton (C)</b>  | <b>Mingenew (S)</b>  | <b>Murchison (S)</b>   |
|                  | Population Growth: 2.50%  | Population Growth 0.40%  | Population Growth 3.4%   |
|                  | Access to:  | Access to:   | Access to:   |
|                  | <ul style="list-style-type: none"> <li>Health: 3</li> <li>Tertiary Ed: 2</li> <li>Financial services: 2</li> <li>Knowledge services: 3</li> </ul> | <ul style="list-style-type: none"> <li>Health: 5</li> <li>Tertiary Ed: 5</li> <li>Financial services: 5</li> </ul> | <ul style="list-style-type: none"> <li>Health: 5</li> <li>Tertiary Ed: 5</li> <li>Financial services: 5</li> </ul> |
|                  | Distance to:  | Distance to:   | Distance to:   |
|                  | <ul style="list-style-type: none"> <li>Medical facilities: 2</li> <li>Airport: 1</li> <li>Port: 1</li> </ul>                                      | <ul style="list-style-type: none"> <li>Medical facilities: 5</li> <li>Airport: 4</li> <li>Port: 3</li> </ul>       | <ul style="list-style-type: none"> <li>Medical facilities: 5</li> <li>Airport: 5</li> <li>Port: 5</li> </ul>       |

### Townsville and North Queensland

There is a clearer hub and spoke effect in the North Queensland region where there are clear movements between Townsville and the smaller rural towns of Palm Island, Charters Towers, Burdekin and Hinchinbrook.

#### Townsville and North Queensland



\*The thicker olive-coloured lines demonstrate movement from the smaller towns into the city regarding access to employment.

Again in this region we can clearly see that where the region has strengths such as connectivity infrastructure so too do the smaller hinterland towns. Where the city is weaker, such as in tertiary education, so too is the access for the smaller rural towns.

**Townsville – hub and spoke access and distance:**

| Hub               | City Outcome<br>Ranked against all LGA's<br><br>1= highest 20%<br>5= lowest 20% | 'Spoke' LGAs<br>Ranked against all LGA's<br><br>1= highest 20%<br>5= lowest 20% |  |
|-------------------|---|---|--|
| <b>Townsville</b> | <b>Townsville (C)</b>   | <b>Burdekin (S)</b>   | <b>Charters Towers (R)</b>   |
|                   | Population Growth: 1.9%   | Population Growth: 2.1%   | Population Growth 0.0%   |
|                   | Access to:<br>• Health: 2<br>• Tertiary Ed: 3<br>• Financial services: 2        | Access to:<br>• Health: 3<br>• Tertiary Ed: 4<br>• Financial services: 2        | Access to:<br>• Health: 3<br>• Tertiary Ed: 3<br>• Financial services: 3 |
|                   | Distance to:<br><br>• Medical facilities: 2<br>• Airport: 1<br>• Port: 1        | Distance to:<br><br>• Medical facilities: 3<br>• Airport: 3<br>• Port: 2        | Distance to:<br><br>• Medical facilities: 3<br>• Airport: 4<br>• Port: 3 |

**The importance of hub and spoke analysis**

At the time of writing RCA and RAI are in the process of mapping this work across our full 31 member cities.

RCA acknowledges that the above case studies are an interim piece of work that requires further analysis. We believe however there is an indication of a trend in the cities and towns explored. It is our position that the hub and spoke relationship could prove a valuable tool for analysing relationships between RCCs and their surrounding areas – identifying strengths and disparity in key areas which will allow both cities and regions to thrive.

The challenge of delivering a high level of services and infrastructure for all Australian's is acknowledge by RCA, however this initial research may indicated that when you strengthen the RCC you will also be strengthening the whole region.

It is the position of both RCA and the RAI that the Government should further investigates this model to allow a clearer understanding of how regional capital cities can be invested in to support their regions and that this work be used to further guide the development of the Regions 2030 and Smart Cities framework.

**RCA Recommendations:**

- **Identify a methodology to map the hub and spoke role of Australia's RCCs and their hinterlands across a range of indicators and examine Australia's regions as a matter of priority**
- **Use this information to identify a placed based approach to regional development to address the individual strengths and disparity of both cities and regions and invest accordingly**

**Regional Capitals Cities Are Central To Easing the Squeeze on National Growth Pains**

Australia's population is predicted to almost double to just over 40 million people over the next 50 years. According to the latest ABS data, Australia's overall population increases by one person every 1 minute and 23 seconds. Further, our nation's four largest cities are projected to grow by about 45 per cent by

2031. Melbourne and Sydney are each predicted to be cities of just under eight million.

Meeting the cost of this growth will be challenging. Infrastructure Australia today, puts the cost of addressing the national infrastructure deficit anywhere between \$450 - \$700 billion. Federal and state governments cannot afford to allow this gap to widen.

The Regional Australia Institute (RAI), however estimates that for every 100,000 Australians who choose to live in RCCs rather than the big five metros, that an additional \$50 billion will be released into the economy over 30 years in reduced congestion costs and increased consumption<sup>4</sup>.

The polarising difference between the efficiencies of regional and metropolitan capitals means it is clear Governments at all levels and Australian businesses need a new a solution that moves past the capital city bias that historically has been engrained in our national leadership. Regional cities have the capacity to absorb more population growth but ensuring these cities are seen as the liveable and investable alternative needs more assistance and planning is the key.

All cities that work are enormous economic assets and play a vital role in building a strong economy. In the case of the cities located in regional Australia, RAI recently highlighted that the long-term growth rates of Australia's **small cities** "have matched those in metropolitan cities".

The RAI's projections of future of those cities located in regional Australia is positive, the institute submits these cities have the potential to produce \$375 billion in output in 2031 if planning for these cities is prioritised<sup>5</sup>.

The work of the RAI is groundbreaking and confirms RCA's long held view that cities in regional Australia are widely misunderstood and under represented in national policy; these cities are key contributors to our national output and play a pivotal role in the regions they service.

## Regional Development Achieved Through Place Making Policy

It is the position of RCA that the growth of our member cities has occurred somewhat organically and to obtain a larger share of Australia's projected population growth and economic activity much more needs to be done to plan for their success. Until late 2016, RCC had no place in national policy and today there is limited analysis by the Australian Government – through the Smart Cities Plan – to understand the issues and opportunities of regional capitals to measure and guide their future social and economic success.

Historically there have been two 'place making' policies in Australia:

1. **Urban or Cities Policy:** This policy is focused on the efficiency and liveability of the big five metropolitan cities.
2. **Regional Development Policy:** This policy area is focused on a mix of whole regions and industry sectors; and

If Australia is going to thrive – both socially and economically – placed based policy should have a specific focus on RCC in both these policy areas.

### Urban policy

RCA welcomed the Government's announcements in 2016 of a regional cities stream of the City Deals. The development of a network of socially and economically thriving RCCs is critical to the nation's growth, and many of our members have cited the receipt of a City Deal as a game-changer for their

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4 Regional Australia Institute - Lighting Up our Great Small Cities: Challenging Misconceptions - 2017

5 Regional Australia Institute - Lighting Up our Great Small Cities: Challenging Misconceptions - 2017

community and economy.

According to the Department of Prime Minister and Cabinet (DPMC), City Deals are a new arrangement between the Australian Government, a state or territory government and local governments, that aim to make Australian cities better places to live in and do business. Through City Deals it is intended that governments, industry and communities will develop collective plans (which could be seen as master plans) for growth.

Parties who commit to the deal, identify actions, investments, reforms and governance needed to set the city up for growth. City Deals aim to unlock business and industry development and ensure community wellbeing<sup>6</sup>.

On launching the government's cities policy the "Smart Cities Plan" (which City Deals form part) , both the Hon. Fiona Nash, Minister for Minister for Local Government and Territories, Regional Communications and Regional Development and the Hon. Angus Taylor – Assistant Minister for Cities stated the plan should be considered 'a plan for the regions'<sup>7</sup>.

The Assistant Minister went further, stating: "*Regional cities are incredibly important to the future of the regions and getting our policy right on regional cities is a very, very important piece of work. I'm absolutely convinced that harnessing the potential of our regional cities depends on long-term planning for the future and building cities that can really attract people to work, to live, to play and to enjoy their lives.*"<sup>8</sup>

In November 2016, the Assistant Minister announced **a competitive process** to identify future Regional City Deals (in addition to the announced Townsville and Launceston City Deals) was under development<sup>9</sup>. It has been a year since the Assistant Minister's announcement and no further detail has been provided, leaving stakeholder such as RCA to assume that no action has been taken to progress this important policy initiative.

In a submission to the DPMC, RCA has outlined our support for and collective view, on what a competitive process should look like and highlighted the need for all our member cities to be considered eligible to apply. RCA made specific recommendations regarding what process considerations should be applied. This submission can be found on the [Submissions page of the RCA Website](#).

### **Does The Size of a City Matter?**

In our submission to DPMC, RCA also stated that cities of all sizes should be included eligible for a City Deal. The basis of our position has been supported by the RAI in the release of the latest release the: *Lighting Up our Great Small Cities: Challenging Misconceptions report (2017)*.

The report examined the performance (population and economic growth) of 31 of Australia's regional cities (populations ranging from 546,000 to 50,000). The report revealed that these cities collectively expanded their economies at 3 per cent per year from 2001-2013. They share comparable economic performance with our major cities across the key measures of growth, output, participation, and productivity (refer Figures 6 and 7 below).

Additionally the report showed that there was little difference between smaller regional cities as compared to the larger regional cities<sup>10</sup>.

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6 City Deals – Department of Prime Minister and Cabinet – Smart Cities Website

7 Smart Cities Plan is a plan for the regions – Media Release - 28 April 2016 – The Hon. Fiona Nash, The Hon. Angus Taylor

8 Regional Australia Institute City Deals Forum – Speech – 13 October 2016 – The Hon. Angus Taylor

9 Encouraging Regional City Deal proposals – Media Release 9 November 2016 – The Hon. Angus Taylor

<sup>10</sup> Regional Australia Institute - Lighting Up our Great Small Cities: Challenging Misconceptions report (2017)

|                                       | Big regional cities | Small regional cities |
|---------------------------------------|---------------------|-----------------------|
| Participation rate                    | <b>74%</b>          | <b>74%</b>            |
| Productivity workers (\$'000/ worker) | <b>137.11</b>       | <b>159.26</b>         |
| Historical GVA growth rate (CAGR)     | <b>3.2</b>          | <b>2.2</b>            |
| Projected GVA growth rate (CAGR)      | <b>2.8</b>          | <b>2.3</b>            |

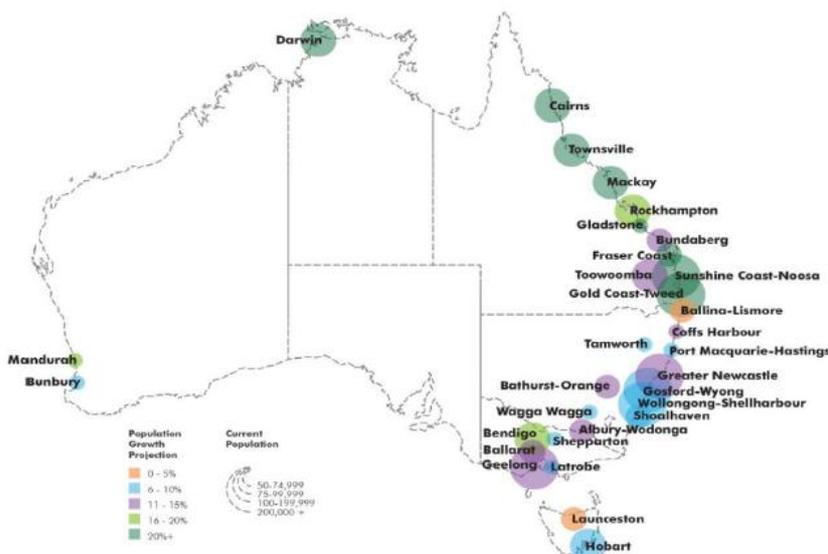
Comparison on output between small and big regional cities

### Regional and Metro cities share economic performance



Regional cities share of the metropolitan cities economic performance

Additionally, the report showed there was a robust historical population growth, at an average 1.6 per cent per annum from 2002 to 2013, and strong population projections to 2026 showing an expected total population increase of 16 per cent (refer 8 figure below) <sup>11</sup>.



Projected population growth across 31 of Australia's regional cities

<sup>11</sup> Regional Australia Institute - Lighting Up our Great Small Cities: Challenging Misconceptions report (2017)

RCA believes our cities have great potential and now is the time to plan for and develop a network of economically and socially sustainable regional capital cities. As we can see above the policies should not only focus on the largest cities, smaller regional cities are also socially and economically important.

### ***City Deals and the National Cities Performance Framework***

To ensure that the policy interventions are success, a measurement of success must be established. In April 2017, the Government released the **National Cities Performance Framework Interim Report**. This report outlined how the government intended to measure how Australian cities are performing against a range of indicators. The interim report also highlighted this framework would also be used to measure the success of City Deals.

The interim framework however only includes a small number of regional capital cities – those with populations of 85,000 or more. It is our expectation that through this framework, RCA members like Albury – Wodonga, Ballarat, Bendigo, Geelong, Launceston, Mackay, and Toowoomba will continue to be shown as not only the best places to live, but also excellent choices for businesses to make their next investment.

However as the work of the RAI highlights – cities of all sizes have social and economic value. The exclusion of the remaining regional cities significantly undersells the contribution and potential of regional Australia. Additionally as the ‘Hub and Spoke’ work highlighted above also shows, if the performance of regional cities is closely aligned to the performance of the wider region the benefit of including cities below populations of 85,000 will have benefits for the whole regional development portfolio.

It is the position of RCA that the inclusion of all regional cities in the **National Cities Performance Framework** will significantly increase the understanding of how these cities function and what policy interventions are delivering the best outcomes for regional Australian’s. This monitoring will also highlight investment opportunities to the private sector and identify how the service hub role can be strengthened - a stated objective of the *Smart Cities* plan.

Please refer to Appendix B to see the current data gaps that exist when comparing RCCs across a range of indicators.

***RCA Recommendation: The Committee seek to highlight the importance of prioritising the delivery of the Government’s regional city stream of City Deals to RCCs by requesting the Government:***

- *Increase the number of regional cities to be measured under the National Cities Performance Framework to 51 – to align with the objectives of the Smart Cities Plan and to enable regional city deals to be measured*
- *Release the draft guidelines on the first round of the regional City Deal competitive process; and*
- *Ensure the guidelines include a mechanism for all 51 regional cities to compete for a city deal.*

## **Liveable and Connected Regional Cities and Regions**

RCA members know that each region and it’s regional city will have different factors that will drive jobs growth and investment – the development priorities of each region and regional city should be considered and planned for separately.

However there are unifying factors that all regions and their regional cities aim to achieve. Planning for regional capital cities should aim to strengthen the hub and spoke effect ensuring both regions and their regional cities are **liveable and connected**.

High indicators in these two areas means that business is provided with an economically sound,

investable alternative and skilled workers are provided with a socially sound, liveable alternative. To that end, investment regional development objectives must be focused on enabling a regional city and it's region to be:

- **Connected** – with high speed broadband, telecommunications, roads, rail, ports and airports; and
- **Liveable** – regional access to tertiary education, health, sporting facilities, arts and cultural centres and well-planned and activated CBDs.

In its submission to the study into the Australian Government's role in the [development of cities](#) RCA made some detailed recommendations regarding commitments sought from the Federal Government to harness the development of our RCCs via these pillars.

### *National Broadband Network*

To encourage private sector investment, the availability and reliability of high-speed broadband services and other connectivity technologies is crucial. Never has there been a time in history where the tyranny of distance been so surmountable.

Connectivity enables a knowledge-based businesses and a new generation of knowledge workers to become mobile – they do not have to work where they live or live where they work. They do, however, bring innovation and diversification to their destination economies, vital factors for growth and productivity. Better internet connections draw jobs to regions not just by attracting businesses, but by attracting workers for whom fast broadband is a baseline requirement for a move. In RCA's 2016 membership survey, 80% of the capitals surveyed cited communications and technology as a 'top 3' policy priority for their city.

The detailed analysis undertaken by the Standing Committee on Rural and Regional Affairs and Transport inquiry undertook a significant investigation to the needs of RCCs. Their investigations into regional broadband connectivity lead the committee to make a clear recommendation in the final report to close these gaps. The recommendation is as follows:

“(t)he future role and contribution of regional capitals to Australia” Final Report Recommendations:

|  |   |
|--|---|
| <b>Senate Inquiry<br/>Recommendation 4</b> | <i>The Australian government 'accelerate the roll-out of the National Broadband Network to all regional capitals across Australia'.</i> |
|--|---|

The NBN rollout is crucial component of regional connectivity and requires attention. It has been reported that there have been mix responses to the NBN roll out particularly in relation to the multi-technology-mix (MTM). There is concern that the MTM is creating a digital divide of 'haves' and 'have not's' across the country. Whilst it is beyond the resources of RCA to investigate the digital gaps of each regional city, our member cities have been clear that fibre to the premise (FTTP) is the only scenario that can future proof their cities.

### ***RCA Recommendation***

- *Prioritise the roll-out of the National Broadband Network in Regional Capital Cities.*
- *Prioritise the investment of Fibre to the Premise in Regional Capital Cities*
- *Undertake an annual review of quality of broadband service across Regional Capital Cities to establish infrastructure gaps.*

### *Mobile Blackspots Program*

The 2015 Infrastructure Australia Audit has projected: “demand for telecommunications infrastructure will continue growing faster than GDP growth”. This is largely due to business and consumer demand for services that increasingly depends on high volumes of data. This includes agriculture, tourism, financial services – industries that drive regional economies.

RCCs require the speed and scalability of infrastructure to connect cities and take advantage of the growing opportunities of an increasing technology-focused economy.

RCA welcomed the December 2016 announcement by the Government of Round 2 of the Mobile Black Spot Program, planned to deliver 266 new and upgraded mobile base stations in regional Australia. RCA has [previously submitted](#) that in recognition of their strategic economic importance, regional capital cities should be clearly prioritised in Round 3 locations, due to be announced later this year.

### *Infrastructure*

Regional Roads, rail and airports are crucial enabling connectors that provide access to national and international markets. Investing in infrastructure contributes directly to a city's economy, providing jobs, increasing value-add spending and lifting productivity both within the RCC and the surrounding region.

Effective infrastructure investment, however, requires strategic planning based on probative evidence to inform those priorities. In order for decentralisation to be effective in a RCC requires a holistic approach: cities must have adequate infrastructure to be productive and liveable.

### *Australian Infrastructure Plan*

RCA supports evidence creation, investment and collaboration around the key priorities that Infrastructure Australia (IA) identified in the Australian Infrastructure Plan (AIP) for regional Australia. The most notable recommendations are:

#### **Australian Infrastructure Plan (AIP) Recommendation 4.2:**

- *The Australian Government should prioritise investment in regional infrastructure where the population is growing quickly and where the bulk of our regional economic growth can be found.*
- *Efficient, liveable and productive regional hubs should be considered national economic assets and be a key priority for investment.*

#### **Australian Infrastructure Plan (AIP) Recommendation 4.5**

*The development of the proposed National Freight and Supply Chain Strategy should be informed by CSIRO's Transport Network Strategic Investment Tool (TRANSIT). This tool should be used to identify the most efficient routes along major supply chains and to inform funding decisions on where strategic regional projects will have the most substantial economic impact.*

RCA acknowledges that the AIP and the Federal Government, through their response to the AIP, have highlighted that State governments are responsible for regional infrastructure planning, RCA states that only national leadership will deliver the shared oversight required to meet the growth needs of both regional cities and Australia's regions. As such, RCA recommends that strong consideration be given to an infrastructure investment stream that will incentivise State and Territory Governments to develop and fund long-term regional infrastructure plans to deliver on the following recommendation:

#### **Australian Infrastructure Plan (AIP) Recommendation 4.1:**

*State and territory governments should deliver long-term regional infrastructure plans. These plans should:*

- *Identify gaps in infrastructure networks and identify priorities to support productive regional industries;*
- *Be developed with involvement from all levels of government to help coordinate investments and remove duplication;*
- *Provide transparency for the private sector to allow for government funding to be leveraged and private investment to be maximised; and*
- *Assess the potential for regions to ease pressure on our largest cities.*

The latest Australia Infrastructure Plan (AIP) Infrastructure Priority list published in February 2017 lists seven 'high priority projects' – **none of which are located in RCCs**. In addition, high priority 'initiatives' which list potential infrastructure solutions for which a business case has not yet been completed are also metropolitan-based.

IA indicates both groups address major problems or opportunities "of national significance"; however,

RCA submits that a key focus on the way that infrastructure priorities are assessed, particularly the measurement of travel time savings and the \$100million project threshold mean that regional projects are either overlooked or not planned for. Projects that are regionally significant should feature in either/both lists and again that State and Territory government's should be incentivised to ensure these projects feature.

### ***RCA Recommendations:***

- *Adopt IA's recommendation Recommendation 4.2 and ensure Efficient, liveable and productive regional hubs should be considered national economic assets and be a key priority for investment*
- *Undertake a review of the metrics which nationally significant infrastructure projects are assessed to identify metropolitan city bias – particularly in relation to 'travel time savings'*
- *Ensure Infrastructure Australia can review projects or groups of projects that sit below \$100million in investment*
- *Australian Government to incentivise state governments to develop regional city infrastructure plans that can be evaluated by Infrastructure Australia and to put forward in a regional city infrastructure priority lists for ranking in Infrastructure Australia's Top priority project*

### *Regional Tertiary and Education Availability*

A thriving regional university sector is critical to ensuring that RCC can continue to provide many of the same services provided by metropolitan capitals, whilst continuing to grow our already substantial contribution to Australia's economic activity.

Regional universities also have enormous potential in driving regional innovation, and regional economic, social and cultural development and for growing opportunities around decentralisation.

The Regional Universities Network has stipulated regional universities perform a growing share of Australia's highly ranked research, much of which is undertaken in close partnership with regional Australian industries and communities. It is the position of RCA that increasing the accessibility of regional tertiary education and skills development should be a key Government priority in preparing regional economies for a development and a sustainable future.

### *Regional Growth Fund and Building Better Regions*

RCA welcomed the 2017-18 budget announcements in regional investments to support the establishment of a Regional Growth Fund and the continuation of the Building Better Regions Fund. RCA notes that these investments continue to contribute to the social development of Australia's regions.

The Regional Growth Fund will provide grants of \$10million or more for major transformational projects that will support long-term economic growth and create jobs in regions undergoing structural adjustment.

As outlined in this submission RCCs are integral to the future of their regions and a growing Australia. As it has also been outlined in this submission regional cities and the transformational needs of regions are not well planned for or funded. As such it is the position of RCA that the Regional Growth Fund guidelines should be created to allow the fund to be a potential source of funding for projects identified in regional City Deals as well as any projects highlighted b

### ***RCA Recommendations:***

*Regional Growth Fund guidelines be created to allow the fund to be a potential source of funding for projects identified in Regional City Deals.*

## **DECENTRALISATION – BENEFITS**

RCA has been a strong advocate of decentralisation initiatives and welcomed the announcement by Federal Government in its 2017-18 Budget pertaining to its *Decentralisation Program* – prioritising the decentralisation of non-policy Commonwealth entities to regional areas.

Now is the time to embrace decentralisation: the rise of connectivity technology, the move to high levels of urbanisation throughout the country – particularly in many of Australia’s regional cities – the changing drivers of Australia’s economy towards knowledge roles present numerous opportunities. These opportunities are clear for the Australian government: embrace the modern work practices through teleworking and run organisations from a variety of locations through decentralise government operations.

RCA challenges the notion that there are limited benefits to decentralisation and seeks to highlight the many benefits decentralisation has brought to our member cities: **see Case Studies at Appendix A.**

As the case studies attest, decentralisation initiatives in RCCs have brought about enormous economic benefits to individual locations and their surrounding regions. The employment opportunities generated have been significant, and have often had a wider impact. As noted in the August *House of Representatives Select Committee on Regional Development and Decentralisation Issues Paper*:

*“Employment opportunities are not necessarily restricted to those within the relocated agency. Rather, employment opportunities may arise from any increased spending in the regional economy by public sector employees and their families, and from any associated private investment that follows a public sector move to a non-metropolitan area”<sup>12</sup>.*

Support for moving government departments to the regions is growing, and more of our regional cities are promoting themselves as suitable contenders. Recent news reports indicate RCA member city Toowoomba is now expected to make a case for relocating the Department of Defence and the Department of Agriculture – arguing its strong economic performance and existing infrastructure would ease the transition:

*“Toowoomba could be seen as a blueprint in terms of economic strength, liveability and connectivity” – John McVeigh MP, Chair of the Select Committee on Regional Development and Decentralisation, August 2017*

## **DECENTRALISATION VALUE-ADDING INITIATIVES**

RCA submits that decentralisation proposals should not be examined in a vacuum and that the following mechanisms could significantly ‘value-add’ to any proposed decentralisation initiatives.

### **Teleworking**

As RCA noted in its [March submission regarding Decentralisation](#) a viable alternative to the relocation of Commonwealth agencies and corporate entities is teleworking or outposting – defined by the Australian Public Service Commission as ‘an arrangement whereby an employee has a formal agreement with their employer to work in a location other than the office, usually a home office’.

It is the position of RCA that in addition to decentralisation initiatives, the Government should further examine teleworking opportunities in the APS. There are numerous benefits for the employee included cost-savings by not having to travel to work, flexibility in work hours and therefore increased ability to manage work-life balance, increased job satisfaction, and a greater ability to participate in the

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<sup>12</sup> *Decentralising public agencies: regional benefits with agency risks*, Urbecon, SGC Economics and Planning, September 2016

workforce where traditionally this may not have been possible. The benefits to the employer include improved recruitment and retention outcomes, reduced absenteeism, increased business resilience, reduced costs associated with office space and increased productivity.

There is a growing trend of Australian employees using technology to work remotely. The results from the *Characteristics of Employment Survey* conducted by the Australian Bureau of Statistics (ABS) in 2015 indicated that of 11.6 million people employed in Australia, 3.5 million were teleworkers. The ABS data further showed that telecommuting had increased over the last fifteen years.

The Australian Public Service is one of the largest employers in the country. In June 2016, the **APS had over 153,000 employees**. Facilitating further teleworking opportunities throughout all sectors of the APS presents an enormous opportunity for those located in RCCs to engage in skilled, long-term employment – a key factor in growing our regions.

***RCA Recommendation:***

- *Formally incorporate teleworking/outposting of Commonwealth employees as a key component of Government policy; and,*
- *Set yearly targets for each Commonwealth department, corporate entity and statutory authority to offer teleworking opportunities for a percentage of its staff.*

## SUCCESSFUL DECENTRALISATION INITIATIVES IN REGIONAL CAPITAL CITIES:

### CASE STUDY: TRARALGON

Traralgon is a city in the east of the Gippsland region of Victoria. The population of the town at the 2011 Census was 24,590. It is the largest and fastest-developing city in the more prominent Latrobe Valley, which has a population of around 75,000. Key industries for Traralgon include health care and social assistance, retail, manufacturing, construction, public administration, education and training, accommodation and electricity, gas, water and waste services.

With a large commercial centre, NBN availability, and regional railway station, Traralgon has emerged as the regional centre of Latrobe Valley – boasting regional medical services, and numerous educational facilities including preschools, primary schools, State and Catholic secondary schools and a Federation Training campus. There is also a Performing Arts Centre and numerous sporting facilities (including a racing complex and the Traralgon Tennis Centre) and an airport.

A key boost for the Traralgon economy was the establishment of the Australian Securities and Investments Commission (ASIC) information-processing centre in the early 1990s. The Traralgon ASIC office currently filters, processes and files the financial documents of every registered company in Australia.

The 'ASIC effect' on the Latrobe Valley and its surrounding community has been significant. In 2014, Latrobe City Council commissioned Remplan to model the direct and indirect contribution of ASIC's operations in Traralgon to the local economy in terms of output / revenue, employment / jobs, wages and salaries, and value-added benefit. The analysis was undertaken in the context of the Latrobe City Local Government Area.

Remplan's analysis estimated of the **346 people** employed at the site, flow-on industrial effects in terms of local purchases of goods and services was expected to support a **further 100 jobs**. Direct economic activity from the site was in the order of **\$67 million annually**, and this direct economic activity estimated to generate demand for intermediate goods and services from within the Latrobe City economy to the value of **\$26.4 million**. **Overall total output, including all direct, industrial and consumption effects was estimated at around \$126.4 million annually.**

### CASE STUDY: GEELONG

As the second largest city in Victoria, the City of Greater Geelong has a population of approximately 229,420 which is expected to reach 320,000 in the next 20 years. Geelong is a cosmopolitan city and an hour's drive from Melbourne. The city is a major centre for investment with over 16,000 businesses and a highly skilled labour force of 101,040 (2011 Census estimate). Total residential dwellings are estimated at 106,800 across more than 50 suburbs and townships – a high proportion of which will come from new 'greenfield' growth areas identified for development (e.g. Armstrong Creek) as well as other suburban expansions.

Over the past decade Geelong has transitioned itself from an economy with a strong reliance on big manufacturing, to one with a focus on knowledge based sectors such as, health, research, biotechnology, education, tourism and retail. These sectors are now Geelong's largest employers.

Geelong is perhaps the trailblazer example of decentralisation in the last decade, with multiple state and federal agency relocations – creating over 2,770 jobs:

| AGENCY                                     | EMPLOY | INDUSTRY SECTOR                               |
|--|--------|---|
| Transport Accident Commission              | 880    | Insurance & Superannuation                    |
| Australian Bureau of Statistics            | 260    | Professional, Scientific & Technical Services |
| Australian Taxation Office                 | 139    | Public Administration                         |
| Centrelink – including 24-hour call centre | 292    | Public Administration                         |
| <i>WorkSafe (proposed)</i>                 | 750    | Insurance & Superannuation                    |
| <i>NDIA (proposed)</i>                     | 450    | Insurance & Superannuation                    |

Modelling by Remplan estimates that these 2771 government agency jobs in Geelong:

- Support **6,858 local jobs** (2,771 direct jobs and 4,087 indirect jobs due to the flow on industrial and consumption effects).
- Increase local wages and salaries by **\$612m** annually.
- Inject **\$2,622m** of direct and indirect revenue into the local economy.
- Contribute **\$1,213m** value-added or Gross Local Product annually
- Generate a value-added multiplier of 2.1, meaning that for every dollar of value-added created, another \$1.10 would be created elsewhere in the local economy.

### CASE STUDY: WAGGA WAGGA

Wagga Wagga is at the eastern end of the NSW Riverina region where the slopes of the Great Dividing Range flatten and form the Riverina plain. The city straddles the Murrumbidgee River, one of the great rivers of the Murray-Darling Basin. The city sits halfway between the largest cities in Australia, being 452 kilometres southwest of Sydney and 456 kilometres northeast of Melbourne with the Sydney–Melbourne railway line passing through. It is also an airport-linked central location between Sydney, Melbourne and Brisbane.

Wagga Wagga's population in 2016 was 65,000 people, and the city is estimated to continue to grow to 80,000 people by 2036.

Wagga Wagga itself is the largest retail, commercial, administrative and population centre in the Riverina region, and a central hub of services to a catchment of over 185,000 people. As the major regional centre for the Riverina and for much of the South West Slopes regions, Wagga Wagga provides education, health and other services to a region extending as far as Griffith to the west, Cootamundra to the north and Tumut to the east, and is also an important heavy truck depot for a number of companies including Toll Holdings.

Wagga Wagga boasts a skilled and diverse workforce – with its top three industry sectors being:

- Health Care and Social Assistance (16%)
- Retail Trade (9.7%)
- Public Administration and Safety (10%)

Whilst the move is too recent to estimate 'flow-on' economic effects, the recent relocation of Rural Industries Development Research Centre (RIDRC) **is estimated to save the corporation \$1.2 million each year in operating costs, in achieving lower rent costs.** Further, Managing Director John Harvey said he was "pleasantly surprised by the quality and quantity of applicants" applying to fill the new Wagga-based roles at RIDRC.

### CASE STUDY: BENDIGO

The City of Greater Bendigo is located in the centre of Victoria, covering almost 3,000 square kilometers. With a growing population of more than 110,000, Bendigo is Victoria's third largest economy base. The city has approximately 7,589 businesses and a workforce of around 42,000 people. In the five-year period 2009-2014, there was strong employment growth in construction; arts and recreation services; transport, postal and warehousing; healthcare and social assistance; professional services and financial and insurance services.

The economy of the City of Greater Bendigo is diverse and includes a thriving retail and industrial base, tourism, agriculture, mining and mineral and stone resource exploitation. Commercial development in Bendigo is significant and is based around retailing and financial institutions, including Bendigo Bank as a major national and regional bank.

Bendigo is now the third-largest concentrated economic base in Victoria, behind Melbourne and Geelong, with the Bendigo region's economy valued at **\$10.5B** per annum.

The Bendigo CBD is the largest retail centre in the municipality and north-west Victoria, and there is a well-established hierarchy of business centres within the municipality. Accordingly, the relocation of State Trustees to Bendigo in 2012, where 100 new roles were created, proved a success for this particular RCC. This was strategic and effective decentralisation: Bendigo was already home to significant existing financial and insurance services.

Now, the finance sector is one of Bendigo's leading industries, with output of over **\$550 million per annum (12.3 per cent of GVA)**. Greater Bendigo is home to over 500 financial and insurance service businesses, including the nation's fifth largest bank, Bendigo and Adelaide Bank, which is a top 70 ASX listed company employing approximately 1000 people locally.

### CASE STUDY: ALBURY WODONGA

The cities of Albury and Wodonga share a border between the States of New South Wales and Victoria. The distance between the cities is a short 10-minute car or bus ride. Combined, Albury-Wodonga is the 20th largest Australian city with more than 100,000 residents, servicing a regional population in excess of 180,000 or up to 250,000 (depending on the service being utilised).

It is anticipated that by 2036, Albury and Wodonga will have a combined population of approximately 125,000 people. The two cities are also strategically positioned on the eastern seaboard freight route with the ability to connect people, freight and knowledge to the major capitals and regions throughout Australia.

Given the location and scale of the combined cities and the congestion challenges facing Australia's 'big five' cities, there is every opportunity for Albury-Wodonga to attract more people to live and business investment to grow.

The Australian Tax Office (ATO) set up regional office in Albury in the 1970s, employing between 500 – 800 permanent staff, as well as several hundred casual employees during peak assessment periods. During the 1980s, the growing ATO workforce put greater pressure on the agency's accommodation in big, metropolitan branches, the ATO revived its decentralisation policy and planned to make the office in Albury as well as offices in Townsville and Newcastle) fully autonomous.

On 1 July 1987 the Albury branch was fully autonomous, and has been a significant employer in the region ever since. In terms of employment effects and using Remplan economic modelling, the following flow-on effects are estimated:

- Direct Job creation of 500 – 800 jobs has a flow on effect of a further 144- 230 jobs in the local economy
- Consumption effects are estimated to further boost employment by 244- 390 jobs
- Total employment including all direct and indirect jobs rises by 888 – 1420 jobs in the local economy.

Today, the ATO remains a major factor in a total job pool for Albury of 21,290 jobs (4.2% – 6.7% of jobs) and Albury Wodonga region combined of 37,296 (2.4% and 3.8% of all jobs). The City of Albury estimates the total value added contribution (including all direct, industrial and consumption effects) to the Albury economy is \$125M and \$200M per annum.

**Appendix B**

**REGIONAL CAPITAL CITY DATA COLLECTION  
COMPARISON**

**A comparison of data collected on a all regional capital city members.**

**FOR MORE INFORMATION:**

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