



Productivity Commission – Submission to Interim Report: Inquiry into Transitioning Regional Economies, August 2017

INTRODUCTION

Regional Capitals Australia (RCA) is pleased to present this second submission for consideration by the Productivity Commission (the Commission) and welcomes the potential for the study's outcome to inform the government's approach to regional policy.

RCA is a growing alliance of 31 local governments across the nation, representing Australia's regional cities. Regional capitals 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 capital cities (**RCCs**) around the nation.

An Overview – Regional Capital Cities

RCCs 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. The 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.

Australia's RCCs jointly **generate \$225 billion per annum**, or more than **15 per cent of national economic activity**.

RCCs are growing. An extra one million people are expected to call a RCC home by 2020. The growth of our member cities is a 100-year trend¹. This trend is due to a pattern of consolidation from smaller towns to larger regional centres², growth in Australia's international migration rates³, and more recently, a haven for people looking for a liveable and affordable alternative to the congested major capitals³.

Australia's Transitioning Economy

As noted in RCA's initial submission on this issue, in addition to findings in the Commission's Interim Report: transitioning economies and productivity declines are not the domain of regional Australia alone. Job losses in traditional labour markets are occurring nationally, including large numbers in the suburbs of Melbourne and Sydney.

It is well documented, however, that as this transition is occurring, metropolitan cities are also gaining the benefit of the growth in the service and knowledge sectors, which are found predominantly in capital city CBDs and in growing proportions in some regional cities.

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

² Productivity Commission: Transitioning Regional Economies – Interim Report - 2017

³ Regional Australia Institute: Census 2016: local growth across Australia - 2017

As such Australia's productivity and economic potential has largely in the last 20 years, focused on the development of Australia's five largest cities. Outside of the very lucrative mining boom, the many economies of Australia's regions have been discussed in terms of decline and a drag on the national economy.

Today however the declining productivity of Australia's largest cities is challenging our national economic future. In its latest report, Infrastructure Australia highlighted that the congestion in the five largest capital cities is costing \$16 billion a year in lost productivity – a trend that is projected to grow to \$53.3 billion by 2031.

Infrastructure Australia (IA) today also, puts the cost of addressing this congestion through national infrastructure delivery at anywhere between \$450 - \$700 billion. The 2017 priority list of infrastructure projects compiled by IA is valued at \$60 billion alone. Federal and State governments cannot afford to allow this gap to widen.

The opportunity to ease the squeeze on Australia's metropolitan capitals whilst simultaneously increasing the economic capability of regional Australia including those regions in (or likely to go into) transition, must now be embraced.

It is the position of RCA that developing policies to grow RCC so they are true service and economic regional hubs that can attract a greater share of the growing population and also public and private investment is key to this opportunity. Adequate planning and support by governments will be essential to facilitate an outcome of this nature.

RCA Submission

RCA's submission provides a response to each of the interim findings made by the Commission. RCA further notes the Commission has indicated it will consult widely in regions, seeking feedback and suggestions from interested persons and organisations on this initial report, findings and recommendations.

Whilst RCA has provided commentary on the range of findings of the Commission's initial report (below), RCA's platform in relation to this issue can be summarised with the following five points:

- **A 100 Year Trend:** the growth of RCC is a 100-year trend based on Australia's growing preference to live in urban environments. This preference has caused smaller rural towns to decline and with it a growing reliance on the cities in the region to provide access to important social services and economic infrastructure as this transition has occurred.
- **Place making matters:** Australia's growing urban environments can be linked to a preference for having access to factors that make a place liveable and distance from connections to larger domestic and international markets. Building the RCC that are liveable and connected will be a key factor in building the economic resilience and adaptive capacity of regions.
- **A place in policy:** until very recently RCC had no place in national policy. Urban policy has - and still largely is - focused on the five major capital cities. Regional policy is still focused on whole regions or industry sectors – there is no accepted understanding amongst policy makers of the place-making role or economic impact RCC cities have in our national economy or the regions they support. RCC of all sizes need a stated place in policy to ensure the reliance of regions.
- **A lack of data:** the collection of and analysis of data in Australia is done to largely support Australia's policy priorities. The social and economic nuance's of Australia's RCC and their competitive advantages are not reflected in policy and as such are not equally measured and it is for this reason that the Commission has struggled in its task to define and measure the economic resilience and adaptive capacity of Australia's regions and the cities that support them.
- **A process of prioritisation:** RCC are central to the success of regions – our member cities are forming attributes of the major metropolitan cities and as Australia's economy becomes more global – this transition will require Governments of all levels to develop policies to prioritise their social and economic success.

RCA RESPONSE - FINDINGS FROM INITIAL REPORT

INITIAL FINDING 2.1

There is no widely accepted method to define and measure the economic resilience and adaptive capacity of regions. Noting this, an index of relative adaptive capacity has been estimated but caution is required in interpreting and applying it to policy making aimed at building resilience and promoting economic development.

RCA supports this initial finding and specifically highlights that we agree caution is required when making policy decisions based on any rankings of regions (using the estimated metric of relative adaptive capacity) given the uncertainty cited by the Commission regarding its estimated value for each region.

Additionally RCA comments that we support the Commission's finding that there were significant challenges in preparing the report due to the lack of suitable and comparable regional data. It has long been the position of RCA that there are significant gaps in how the government collects and analyses data on Australia's regions and specifically as they relate to Australia's RCCs.

Work under taken by RCA to further understand the impact of our members cities compared three sources of Government reporting (State of Australian Cities, Progress in Australian Regions and the Regional Online platform) has highlighted these gaps (refer Appendix A). RCA has concluded that these gaps are attributed to the way the Australian Bureau of Statistics (ABS) collects data under levels of delimitation.

For the purposes of this submission, we have highlighted Statistical Area (SA) 4 and Statistical Area (SA) 3 as they relate to RCCs; specifically the following:

- **SA4s** were designed using a number of criteria, which reflect a balance between respective considerations. A minimum of 100,000 persons was set for the SA4s, although there are some exceptions to this. In regional areas, SA4s tend to have populations closer to the minimum (100,000 - 300,000).
- **SA3s** are designed to provide a regional breakdown of Australia. They generally have a population of between 30,000 and 130,000 people. In regional areas, SA3s represent the area serviced by regional cities that have a population over 20,000 people.

RAC highlights this issue, as it is our position that for regions to have economic resilience and adaptive capacity the region needs a strong social and economic hub. Not having a comparable data set available to analysis how the hub is operating presents problems for policy makers.

For RCCs that have populations over 100,000 there is some data available to understand how the hub is performing. In some cases there is analysis highlighting the many competitive advantages for potential businesses and residents if either party was looking for an alternative to major metropolitan cities. There are however, still gaps in for these hubs and it is clear that analysis of metropolitan cities is still the priority.

In RCCs and towns under 100,000 persons, data is collected as part of the wider regional area. This lack of an analysis of place limits the effectiveness of determining how economic hubs like smaller cities and towns function.

Due to the growing reliance of cities to a nation's (or region's) economy, this lack of analysis will also will have an impact on the ability of the leaders of that city to highlight the competitive advantage or a barrier to investment for the city – the very things that will impact further population and economic growth. Missing indicators also mean the impact of investment into regional cities cannot easily be measured, compared and as a result, planned for.

It is the position of RCA that as some data is collected against LGAs, there is scope to develop a specific dataset **measuring performance in all RCCs** (of varying populations) across a range of indicators. This would enable the production of data sets, which would invariably assist in holistic, master planning for RCCs.

INITIAL FINDING 3.1

All regions experience significant variation in their growth in employment, including periods of negative growth. Even so, most regions (69 out of 87) have seen net employment growth over the past five years.

RCA supports this initial finding and notes the overall positive findings by the Commission. RCA submits that further investigation should be undertaken by the Commission to establish the role that RCC have had in this outcome in their final report.

The basis of our request has been in the recent release of the Regional Australia’s Institute’s (RAI) release of: 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. The cities share comparable economic performance with our major cities across the key measures of growth, output, participation, and productivity (refer Figures 1 and 2 below).

The report also showed that there was little difference on the same indicators between smaller regional cities as compared to the larger regional cities.

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

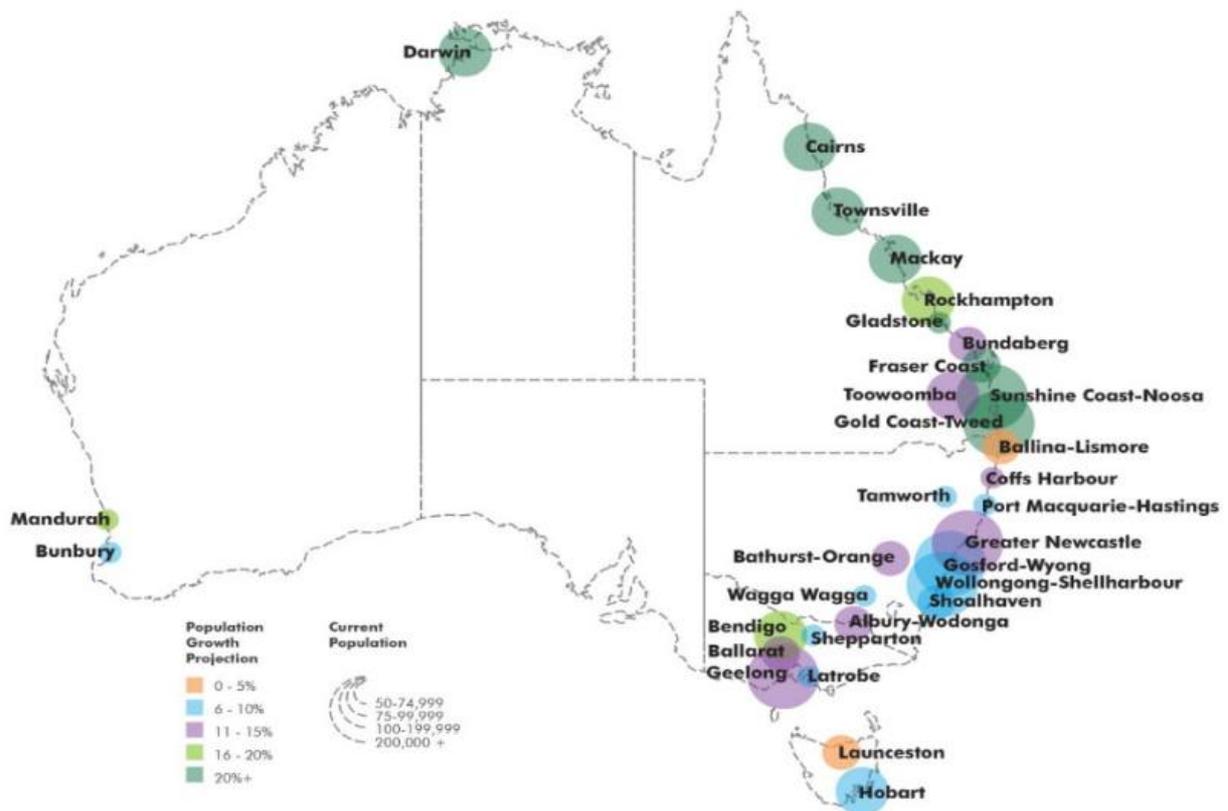
(Figure 1 – economic indicators - small and large regional cities)

Regional and Metro cities share economic performance



(Figure 2 – regional city share of metro city economic indicators)

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 figure 3 below).



(Figure 3 – Current (2013) and growth rate (to 2026) populations for Australia’s regional cities)

RCA submits that when regions are considered as a homogenous whole, the drivers of economic resilience and adaptive capacity cannot be understood. Australian RCC’s offer an opportunity for economic diversification through the availability of service and knowledge sectors – which are particularly important for regions that have been relying on sectors such as agriculture and manufacturing – both which are in a ‘employment’ decline.

The relative strength of Australia’s RCC has largely gone unnoticed by Australian policy makers and further exploration of this trend could provide the Commission another avenue to uncover how regions could be developed with adaptive capacity.

INITIAL FINDING 3.2

Australia’s regions are diverse, reflecting differences in their endowments of natural resources, climate, economic geography, history of settlement and development, and in the relative mix of industries. This makes it challenging to group regions based on similar factors affecting their resilience and adaptive capacity.

RCA notes this initial finding; namely, that our regions are diverse. RCA also notes that the Commission identified that indicators focused on the wellbeing of RCA however submits that whilst a single solution or approach will not suit all regions there are place making policies that could be investigated and incorporated into the regional development agenda to plan for and encourage both population and business growth. These approaches are explained below:

The Hub and Spoke Model of Regional Development

In regions, hubs and spokes matter. It has long been the position of RCA that creating strong regional capital cities, as service ‘hubs’, creates strong regions.

RCC's provide 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. In essence, RCCs perform a 'capital city' role within their regions.

RCA has partnered with the RAI to examine the impact of "a hub and spoke" effect of RCCs on their regional towns. To examine the status of hub and spoke relationships in regional capitals, the RAI investigated a selection of RCCs, together with their surrounding LGAs 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.

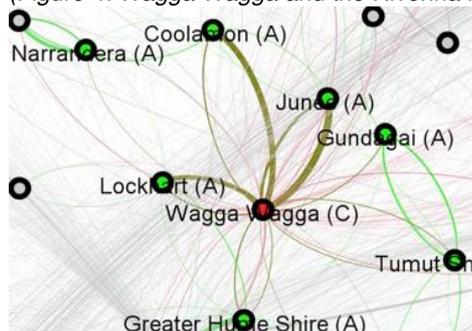
Note: In each table as part of this submission the city or town (hinterland) has received a rank indicating where the city or town sits in relation to access to a service or distance from a social or economic facility (refer above). Each LGA was ranked against the other 623 LGAs around Australia. The ranks have been grouped into bands: a mark of 1 means the city or town 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 Australian LGAs.

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

a) **Wagga Wagga**

The Riverina capital of Wagga Wagga has a strong hub and spoke relationship with its region, as demonstrated this map:

(Figure 4: Wagga Wagga and the Riverina region)



*The thicker olive-coloured lines demonstrate movement from the smaller towns into the city regarding access to employment (otherwise know as journey to work flows)

The Riverina 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. 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 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) to business services and more complex health services – for example services not available at the Wagga Wagga Base hospital or higher order accounting firms may mean people have to travel to a larger population area such as Canberra or Sydney (refer to Table 1).

Interestingly the surrounding smaller rural towns, with much smaller populations and economic activity within the Riverina also showed relatively high access and distance from (mostly second percentile) to services and infrastructure where Wagga Wagga city's access was higher or lower.

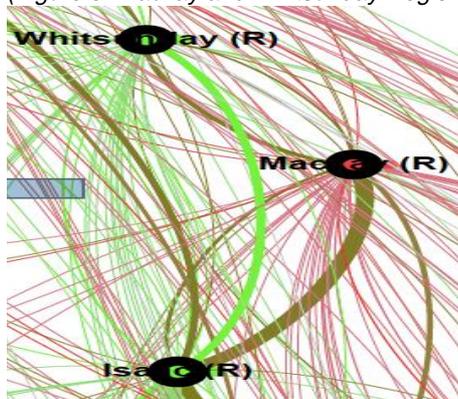
Table 1: Wagga Wagga: Riverina – hub and spoke access and distance:

Hub	City Outcome Ranked against all LGA's 1= highest 20% 5= lowest 20%	'Spoke' LGAs Ranked against all LGA's 1= highest 20% 5= lowest 20%	
Wagga Wagga	Wagga Wagga (C) Population Growth: 1.3% Access to: • Health: 1 • Tertiary Ed: 1 • Financial services: 2 Distance to: • Medical facilities: 2 • Airport: 1 • Port: 5	Narrandera (A) Population Growth: 0.3% Access to: • Health: 2 • Tertiary Ed: 1 • Financial services 2 Distance to: • Medical facilities: 2 • Airport: 1 • Port: 5	Tumut (A) Population Growth: 0.3% Access to: • Health: 3 • Tertiary Ed: 1 • Financial services: 2 Distance to: • Medical facilities: 2 • Airport: 3 • Port: 5

b) Mackay

The Mackay region data again supported showed 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).

(Figure 5: 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. However the city showed much lower (4th percentile) 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 Mackay – of note both towns located in Isaac and Whitsunday towns featured in the bottom percentile for both health and education.

Table 3: Mackay – hub and spoke access and distance

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

c) 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.

(Figure 6: 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 of Geraldton 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.

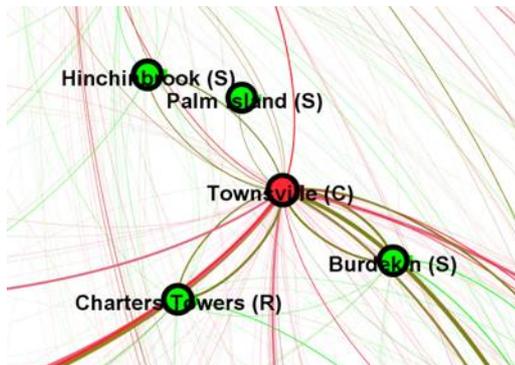
Table 6: Geraldton – hub and spoke access and distance:

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

d) Townsville

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.

(Figure 7: 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.

Table 7: Townsville– hub and spoke access and distance:

Hub	City Outcome Ranked against all LGA's	'Spoke' LGAs Ranked against all LGA's	
	1= highest 20% 5= lowest 20%	1= highest 20% 5= lowest 20%	
Townsville	Townsville (C)	Burdekin (S)	Charters Towers (R)
	Population Growth: 1.9%	Population Growth: 2.1%	Population Growth 0.0%
	Access to:	Access to:	Access to:
	<ul style="list-style-type: none"> Health: 2 Tertiary Ed: 3 Financial services: 2 	<ul style="list-style-type: none"> Health: 3 Tertiary Ed: 4 Financial services: 2 	<ul style="list-style-type: none"> Health: 3 Tertiary Ed: 3 Financial services: 3
	Distance to:	Distance to:	Distance to:
	<ul style="list-style-type: none"> Medical facilities: 2 Airport: 1 Port: 1 	<ul style="list-style-type: none"> Medical facilities: 3 Airport: 3 Port: 2 	<ul style="list-style-type: none"> Medical facilities: 3 Airport: 4 Port: 3

The importance of hub and spoke analysis

RCA acknowledges that the above case studies constitute an interim piece of work that requires further analysis. However, we believe 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 when addressed will allow both cities and regions to thrive.

The challenge of delivering a high level of services and economic infrastructure that can support prosperity for all Australian's is acknowledged by RCA, however this initial research may indicate that when you strengthen the hub (or RCC) you will also be strengthening the whole region.

It is the position of both RCA that Government should further investigate this model to allow a clearer understanding of how RCC 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.

RAI and RCA are currently expanding on the hub and spoke work across our membership and would welcome further engagement with the Commission on completion of this work, and prior to the release of the Commission's final report at the end of 2017.

City Deals

The creation of strong regional urban hubs now has a place in Government policy and regional cities – for the first time – have been included in this approach.

On launching the government's cities policy the "Smart Cities Plan" which City Deals encompass, both the Hon. Fiona Nash, 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. 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."

RCA welcomed the Government's announcements in 2016 in relation to the regional cities stream of the City Deals process – including a competitive process to select future cities for a 'deal'. It is RCA's position that this new approach by the Australian Government should be considered integral to all regional development objectives and should be seen as a key place-making strategy to ensure the resilience and adaptive capacity of regions.

More information on RCA's position on City Deals can be found in the submissions page of our website.

Liveability and Connectivity factors

The Commission has highlighted in the Initial Report that 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.)

These factors are often described as liveability and connectivity. In the context of RCC connectivity and liveability mean a business is provided with an economically sound investable alternative and skilled workers are provided with a socially sound, liveable alternative.

- **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.
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Creating regional hubs that are liveable and connected should be a priority for governments of all levels.

INITIAL FINDING 3.3

Many regions with a high concentration of activity based on mining have experienced high employment growth and have relatively high adaptive capacity. There are some, however, that have experienced a decline in employment and have relatively low adaptive capacity. These regions tend to have mining operations that are smaller in scale, are economically marginal or are approaching the end of their economic lives.

RCA notes this initial finding by the Commission.

INITIAL FINDING 3.4

Many workers employed in the investment phase of the mining boom lived in regions outside mining areas, such as capital cities and other regional centres. In addition, many mining workers work in capital cities and their greater metropolitan areas.

RCA notes this initial finding by the Commission.

INITIAL FINDING 3.5

Regions predominantly based around agriculture tend to have lower growth in employment. Even so, these regions are growing, with efficiencies and technological innovation generating higher levels of production using less labour. There is also a pattern of consolidation from smaller towns to larger regional centres, which affects the social fabric of these communities and engenders a feeling of being left behind as Australia prospers more generally.

RCA notes and supports this initial finding by the Commission; in particular, page 21 of the initial report that stipulates there are 'now fewer people living in some smaller regional towns' and that over the past century, many previously thriving regional towns have shrunk.

Please refer to Initial Finding 3.2 for RCA's position in this issue.

INITIAL FINDING 4.1

A single metric of relative adaptive capacity cannot capture the unique attributes of each regional community, nor can it be used with any precision to rank regions. There is significant uncertainty about the index values estimated for each region.

Moreover, adaptive capacity does not identify whether a region will be successful in transition following a disruption. The metric can be used to explore some broad themes and patterns of adaptive capacity across broad classes of regions.

RCA notes this initial finding and would like to reiterate the importance of comprehensively measuring our RCCs and regions. Whilst RCA agrees that a single metric of adaptive capacity cannot depict the unique attributes of each regional city or community, the measurement of our RCCs – large and small – is imperative to capture,

especially where a regional city offers a unique competitive advantage.

RCCs are often associated with lower congestion, relaxed lifestyle and affordable living, and offer an attractive and competitive alternative from the capital cities for businesses and residents alike. However, promoting the competitive advantage of our RCCs requires an ability to measure it (Please refer to Initial Finding 2.1).

INITIAL FINDING 4.2

The main factors shaping the index value of relative adaptive capacity for each region relate to: people-related factors (including education achievement, employment rates, skill levels, personal incomes and community cohesion)

- *the degree of remoteness and accessibility to infrastructure and services*
- *natural endowments, such as agricultural land industry diversity.*

Data from the 2016 Census and other sources of data not available for the initial report are likely to change the regional rankings of adaptive capacity in the final report.

RCA notes this initial finding and refers to all previous above sections of this submission in response to this finding.

INITIAL FINDING 4.3

Regions with an economic base concentrated in manufacturing tend to have lower employment growth and relatively low adaptive capacity. Many of these regions are located in the greater metropolitan areas of capital cities.

RCA notes and agrees with this finding.

INFORMATION REQUEST 4.1

The Commission is seeking feedback on:

- *the methodology that has been used to construct the index of adaptive capacity, including whether other methods might be superior for the purpose*
- *the factors (variables) that have been included in the index and whether there are other variables and data sources that could be used.*

RCA agrees with the factors that have been identified however sees these as a baseline and submits that further mapping of hub and spoke tool (Initial Finding 3.2) should be undertaken by the Government to investigate and further understand the implications of this initial study.

INITIAL FINDING 5.1

There is no single approach that will facilitate adaptation and sustainable development in all regions. It is unclear if strategies for adaptation and development have been successful as evaluation is usually not attempted. Strategies that focus on supporting people in regional communities to adjust to changing economic circumstances appear more likely to be successful. The best strategies are those that:

- *are identified and led by the regional community itself, in partnership with all levels of government*
- *remove barriers to people or businesses relocating, both within or to other regions are aligned with the region's relative strengths and inherent advantages are supported by targeted investment in developing the capability of the people to deal with adjustment and the connectivity of the region to other regions and markets.*

Please refer to Initial Finding 3.2.

INFORMATION REQUEST 5.1

The Commission invites participants to comment on the relevance and applicability of the policy framework set out in this chapter. Where practicable, participants are asked to support their views with evidence of effective and/or ineffective approaches that have been used to facilitate transition and development following disruptive events or ongoing pressures in regional areas (in Australia or overseas).

RCA notes the policy framework presented in the chapter; namely: *removing any impediments that hinder change and innovation, avoiding (where possible) providing 'ad hoc' support to regions without an underpinning framework, and supporting strategic initiatives that facilitate transition and development that are built on a region's strengths, coordinated between governments, and focused on developing regional communities' capacity and connectivity with other regions and markets.*

RCA has consistently maintained that holistic 'master planning' for RCC is imperative going forward. To that end, master planning for RCCs needs to be conducted under two key policy areas: **urban policy and regional policy** (refer to commentary in Initial Finding 3.2 and 2.1).

INITIAL FINDING 5.2

Governments can facilitate successful transition and development across all regions by removing regulatory barriers that impede people and businesses from taking advantage of economic opportunities, where such regulations are unjustified by the benefits they provide. Expediting regulatory reforms previously recommended by the Commission would assist in this regard.

This would benefit all regions, regardless of their circumstances or adaptive capacity, and helps to improve the operation of the economy generally — making it a 'win-win' or 'no-regrets' way of supporting regional communities. However, it is particularly important to regions that do not have the advantages and range of opportunities found in capital cities and major regional centres.

RCA notes and supports the initial finding that expediting regulatory reforms could assist the economic performance of regions, specifically, RCCs. An example of such a regulatory restraint is the restriction around public-private partnerships in Western Australia (see Initial Finding 5.2 below).

INITIAL FINDING 5.3

City Deals initiatives that genuinely develop strategic, coordinated partnerships between all levels of government, communities and the private sector are more in line with the Commission's principles but require effective monitoring and evaluation. It is essential that all governments ensure there is a clear performance measurement framework for each City Deal program, and publicly review the efficacy and cost-effectiveness of the first wave of City Deals within four years of their commencement.

RCA agrees with this initial finding; that the impending regional *City Deals* initiatives present a good model for regional development. However, it is the position of RCA that evaluation metrics must be put in place to ensure effective performance measurement.

Many of our members have cited the receipt of a City Deal as a game-changer for their community and economy. However, it has long been the position of RCA that properly measuring the performance of our RCCs will support interventions designed to improve how Australian cities grow.

In April 2017, the Government announced cities with a population above 85,000 would be compared on performance against the selected measures (performance indicators), to allow an assessment of the effect of the *Smart Cities* policy. The framework would be utilised to monitor the progress of *City Deals*. There is concern,

however, that it is the Government's intention to only measure less than half of our regional cities – which significantly undersells the contribution and potential of regional Australia. The framework released by the Government in July includes the measurement of 22 cities – which includes 16 regional cities.

RCA recognises 51 regional cities. Not extending the performance framework to include these 51 cities will mean the government will not meet the policy objective of the *Smart Cities Plan: Support to productive, accessible, liveable cities – both metropolitan and regional - that attract talent, encourage innovation and create jobs and growth.*

It is the position of RCA that **monitoring all regional cities** will significantly increase the understanding of how these cities function. The monitoring will highlight investment opportunities and identify how the service hub role can be strengthened – a stated objective of the *Smart Cities* plan.

INITIAL FINDING 5.4

Strategies for adaptation and development are most likely to be successful and sustainable where they:

- *have clear objectives and measurable performance indicators*
- *are preceded by rigorous and transparent analysis and explicit consideration of available alternatives*
- *include transparent community consultation, public reporting and evaluation (before and after implementation) of the efficacy and cost-effectiveness of programs.*

RCA strongly supports this finding, noting again that are significant gaps in the collection and analysis of data in our RCCs, to formulate meaningful indicators (refer to Finding 5.3 and 2.1 above).

INITIAL FINDING 5.5

There is substantial funding devoted to regional programs across all levels of government. The effectiveness of most of these programs has not been evaluated. There is scope to achieve better outcomes for regional communities by better targeting existing expenditure.

RCA notes and supports this initial finding and would like to emphasise that holistic planning is vital to ensure the effectiveness of funding to our regions.

As the Commission noted on page 29 of its interim report, there can be benefits in targeting investment in infrastructure to assist regional communities more easily take advantage of economic opportunities. It is RCA's view that a body such as Infrastructure Australia should widen its scope provide more analysis of smaller projects and there should be an emphasis from all levels of government to assist regions to develop project plans and business cases that IA can review.

Australian Infrastructure Plan

The Australia Infrastructure Plan (AIP) sets out the infrastructure challenges and opportunities Australia faces over the next 15 years, including 78 recommendations for reform designed to address infrastructure gaps. 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, livable and productive regional hubs should be considered national economic assets and be a key priority for investment.*

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 asserts 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 incentivising 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 infrastructure priorities in our regions should feature in either/both lists and again that State and Territory government's should be incentivised to ensure these projects feature.

INITIAL FINDING 5.6

Individual specific adjustment assistance (beyond generally available measures) is best reserved for unexpected circumstances and highly vulnerable groups of people, and should be aimed at helping individuals make a successful transition to employment. Assistance that creates false expectations about the future success of an industry or economic activity can lead to confusion and reduce individuals' incentives to plan and adapt to changing circumstances.

Assistance to industries and regions has often been costly, ineffective, counter-productive, poorly targeted and inequitable. To avoid these problems, support to assist people to adapt is best provided within the context of a coordinated, strategic development framework designed to capitalise on a region's strengths and to facilitate self-sustaining growth.

RCA notes this finding.

INFORMATION REQUEST 5.2

The Commission invites participants to comment on where a regional community could benefit from a trial exemption from regulations that are unnecessarily inhibiting transition or development.

RCA would like to provide the example of public-private partnerships in Western Australia – where a regional community could benefit from a trial exemption from regulations that unnecessarily inhibit transition or development.

Western Australia is unique regarding its prohibitions around public-private partnerships (PPPs). PPPs are arrangements between government and private sector entities for the purposes of providing public infrastructure. Essentially, Western Australia prohibits the use of these structures (such as council controlled organisations). This could potentially act as a significant roadblock during, for example, a City Deal negotiation for the cities of Albany, Broome, Bunbury, Greater Geraldton, Kalgoorlie-boulder, Port Hedland and Karratha.

In considering their application for a City Deal, The City of Greater Geraldton has already identified a value capture opportunity: the relocation of the council offices into a privately-funded development on government-

held land. Unless the PPP issue can be worked around, this could impact negotiations proceeding on such a deal – which could provide an important funding stream for other projects identified for the city.

For More Information

Rachael Sweeney
Executive Officer
Regional Capitals Australia
secretariat@regionalcapitalsaustralia.org
[Ph: \(03\) 9666 3368](tel:(03)96663368)

Appendix A

Missing Indicators on Australia's Regional Capital Cities.

Appendix B

Regional Capitals Australia – Membership List